

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

6264 SENATE HEALTH, EDUCATION AND SOCIAL SERVICES

Synopsis of Situation
March 17, 1989

NORTHWEST ARCTIC BOROUGH DISASTER

Declaration

Type: Disaster Declaration
Date Declared: Feb. 1, 1989 (Revised 2/17 to include Kotzebue)
Community(ies): All communities in the Norwest Arctic Borough

Situation(s) Addressed

Work on damaged water and/or sewer systems (including several school systems): Kotzebue, Noorvik, Shungnak, Kiana, Selawick, Ambler, Kobuk, Buckland, Deering and Noatak.

Replacement of electrical generation system: Buckland.

Funding

Transfers from Disaster Relief Fund to ADES: \$ 1.0 million
Expenditures this Declaration, to date: unknown
Total expenditures this Declaration (est): \$ 3.5 million*

Special Notes

*The \$3.5 million figure above does not include an estimated \$900.0 needed to bring Noatak completely to safe water and sewer standards. We currently have a \$400.0 CIP request in the budget for this, but Village Save Water estimates that \$900.0 is actually needed for the problem with the sewage lagoon and fresh water source to be completely dealt with.

Synopsis of Situation
March 17, 1989

ST. GEORGE DISASTER

Declaration

Type: Disaster Declaration
Date Declared: February 9, 1989
Community(ies): St. George

Situation(s) Addressed

Clean-up of debris/spilled oil from the sinking of the community landing craft, and restoration of landing craft to pre-disaster conditions.

Funds

Transfers from Disaster Relief Fund to ADES: \$ 135.0
Expenditures this Declaration, to date: unknown
Total expenditures this Declaration (est.): \$ 135.0

Special Notes

The subject of the Declaration - the community landing craft - is the only means of unloading supplies destined for the community.

Synopsis of Situation
March 17, 1989

SAND POINT DISASTER

Declaration

Type: Disaster Declaration
Date Declared: Feb. 27, 1989
Community(ies): Sand Point

Situation(s) Addressed

Repair/reconstruct city water main that serves local boat harbor. People residing on their boats (i.e. 15-20 people) were left without safe water and sewage disposal facilities. The situation also left State-owned ferries with no available safe water source.

Funding

Transfers from Disaster Relief Fund to ADES: \$ 65.0
Expenditures this Declaration, to date: unknown
Total expenditures this Declaration (est.): \$ 65.0

Special Notes

None

Synopsis of Situation
March 17, 1989

AKHIOK DISASTER

Declaration

Type: Disaster Declaration
Date Declared: March 2, 1989
Community(ies): Akhiok

Situations Addressed

Replacement of community power generation system. The system failed as a result of excessive power demands during the Omega Block cold spell. Residents went some 2-3 weeks without electricity.

Funding

Transfers from Disaster Relief Fund to ADES:	\$ 70.0
Expenditures this Declaration, to date:	unknown
Total expenditures this Declaration (est.):	\$ 70.0

Special Notes

None

Synopsis of Situation
March 17, 1989

NORTH SLOPE BOROUGH DISASTER

Disaster

Type: Disaster Declaration
Date Declared: March 8, 1989
Community(ies): All communities in the North Slope Borough plus
Kivalina, Deering and Selawick (i.e. three
communities not in the North Slope Borough)

Situations Addressed

Assessment of public and private damages/losses caused by severe winter storm conditions (i.e. exceedingly high winds for nearly a week) throughout the northern section of the state.

Funding

See "Special Notes," below.

Special Notes

1) The Declaration allows ADES to spend administrative dollars in order to assess the extent of damages to both public facilities and private residences/property.

2) The original request per the Borough's disaster declaration was for upwards of \$1.1 million (\$ 605.0 in public assistance needed; \$ 500.0 in individual and family assistance needed). Any decision regarding State disaster assistance for recovery of any or all of these costs will be partially contingent upon the results of the ADES' assessment.

3) A major policy question exists with respect to the Borough's request for public assistance in the amount of \$605.0.

APPENDIX TO DISASTER SITUATION MEMO

To: Garrey Peska
From: Mike Irwin
Date: March 17, 1989

DISCUSSION OF ISSUES

I. DEPLETION OF DISASTER RELIEF FUND

We are currently faced with the very real possibility that the Fund could be depleted well before the end of the fiscal year. In fact, an as yet unknown amount (perhaps in the millions) could be needed in addition to what's remaining in the Fund in order for us to meet requests -- both known and expected -- for assistance.

Available Funds

Total (est.) Remaining in Fund before
North Slope Borough Declaration: \$ 3,000,000

Estimated/Potential Need

- 1) Outstanding Known Estimated Need: \$ 3,583,000 - 4,583,000
- a. N.S. Borough \$605,000-1,105,000
 - b. NW Arctic Borough
(exc. Noatak) \$2,500,000
 - c. Noatak \$400,000-900,000
 - d. Tanana \$78,000
- 2) Other Potential Requests Currently
Being Monitored by ADES: \$ 1,000,000 - 1,500,000
- a. Nome (sewer & water) \$1,000,000 (est)
 - b. Galena " " \$ 500,000 (est)
- 3) Other Potential Situations for inclu-
sion in Any Proposed Special
Imp ct Aid Funding: \$ 800,000 - Unknown
- a. Aleknagik School \$800,000 - plus
 - b. Statewide Municipal
General Assistance \$ unknown

II. DENIAL OF FUNDING REQUESTS

Whenever we: 1) deny a request for a Governor's Declaration of Disaster, and/or 2) question or deny State funding from the Disaster Relief Fund (Fund/DRF) for certain components of a declared disaster, a political situation can result which needs to be addressed. The three examples of these types of situations that we currently have before us to deal with are as follows:

Tanana Elders' Residence: The City of Tanana submitted a local Declaration of Disaster Emergency for the loss of the fire sprinkler system in the city's Elders' Residence during the February cold spell. The facility is leased by the City, but in the lease the City agreed to provide maintenance and upkeep on the facility. When the sprinkler system was, for all intents and purposes, destroyed, we were requested to bear the costs of replacing the system (approx. \$78.0).

OMB has expressed reservations with respect to: 1) whether or not we should be paying for such improvements to nonpublicly-owned facilities from the DRF (the building is owned by the regional Native nonprofit organization); and 2) the seeming noncritical nature of the situation (this point, of course, can be argued from an emotional sense -- i.e. leaving elders unprotected; or, creating the potential for the facility to be closed down by the fire marshal).

It has been our position that this request should more appropriately be handled through some other means such as the CIP process, a loan from the DRF, or, in conjunction with other requests that we might not be able to address through use of the DRF, a special legislative cold weather-related appropriation.

As to the politics of this request and initial denial, we have been in frequent contact with staff from both Senator Binkley's office and Rep. Wallis' office. On Wednesday, 3/15, I was personally contacted by Senator Binkley. The Senator has expressed an interest in taking a look at how we have been handling all of the cold weather-related emergency situations. His implication to me was that his district is being ignored while requests from other districts are being honored.

North Slope Borough Disaster: Although we have declared a disaster emergency, there is a serious question about the public assistance component of this request. In effect, the Borough is asking that we pay roughly \$605.0 from the DRF towards their \$1.0 million insurance premium deductible.

OMB has raised the policy concern about whether or not paying a municipality's insurance deductible is an appropriate use of disaster relief monies. To my knowledge, there is no precedent for this situation. However, an argument can be made that at least the Borough has an insurance policy. Most, if not all, other municipalities that we have dealt with during this most recent period of disaster situations have not had insurance. In these situations the State has had to pay for all damage repair.

Northwest Arctic Borough/Noatak: The final estimated costs associated with the NW Arctic Borough disaster do not include the very serious water and sewer problems in Noatak. As you will remember, late last fall we denied Noatak's request that monies from the DRF be used to build a new sewage lagoon for the community. While that in and of itself created some difficulties with certain legislators, the cold weather in January and February compounded the problem. That is, the community safe water system needs major work -- if not complete reconstruction as a result of damages caused by the cold weather.

Village Safe Water estimates that \$900.0 is needed to fully bring Noatak to safe water and sewer standards. We currently have a \$400.0 CIP request in the budget, with no other funding proposed from any other source. The situation could result in serious health consequences if the problem is not effectively addressed at some point in the near future.

III. LONGER RANGE FISCAL IMPACTS ON COMMUNITIES

One issue that has been brought forward repeatedly is that of the fiscal problems with which many communities have been presented by the extreme weather conditions this winter. Basically, municipal budgets, already strained due to reductions in municipal assistance and revenue sharing over the past couple of years, have been impacted quite negatively by the cold weather (i.e. a much greater than planned requirement for fuel to run essential municipal services).

The extent and severity of this situation is unknown, and there is very likely little that can be done to address it by way of the DRF. However, I think it could surface as an issue when and if we approach the legislature with a plan for complete mitigation of all known cold weather-related situations.

IV. ALTERNATIVE FORMS OF FUNDING

As noted previously, we may be facing a situation where the DRF will be exhausted well before the end of the fiscal year. In addition, funds above and beyond what we have available to spend could be needed for full statewide recovery from the severe winter weather. Also previously noted, other potentially serious situations (e.g. Tanana, Noatak), while they may not meet our basic criteria for disaster declarations, should be addressed.

To date, three possibilities for meeting the ever-increasing volume of requests have surfaced. These are not necessarily all-inclusive of the possibilities, and a plan could be constructed that includes aspects of each:

Special Impact Funds: Early on in the current series of cold weather situations, several legislators proposed the idea of attempting to obtain special funds to meet the overall needs for damage mitigation. Though I am not well-versed enough to offer any

insights as to the possibilities of getting Special Impact Aid legislation approved, I think it is an avenue well worth exploring.

For some purposes, Special Impact Aid would be more desirable than simply adding money to the DRF (see below) in that situations such as those in Tanana, Noatak and the North Slope Borough could be addressed without setting new precedents with regard to use of the DRF.

Increase Disaster Relief Fund: From a purely bottom-line perspective, this doesn't really differ from the Special Impact Aid discussed above. However, I think that certain components of the total package of outstanding need should, if at all possible, be taken care of through some other funding mechanism so as to avoid setting certain precedents that we may, for future purposes, not want to see established.

Disaster Relief Loans: The concept of establishing a low interest loan fund for municipalities was suggested by OMB as a possible alternative for addressing some of the more extraordinary needs.

In follow-up, I checked with ADES and they indicated that DFR funds have been loaned, rather than granted, in certain past situations.

MEMORANDUM

STATE OF ALASKA

TO: Rich Cormack
Env. Field Officer

DATE: 2-24-89

FILE NO: New File

TELEPHONE NO: 443-2600

FROM: Simon Mawson
N.W. District Engineer

SUBJECT: Unalakleet Gasoline
Spill

On Saturday 2-18-89 I received a phone call from Larry Safford of V.R.C.A. Environmental, the company employed by the Unalakleet Native Corporation (U.N.C.) to attempt to locate the 40,000 gallons of gasoline reported spilled on 2-9-89. Larry informed me that after substantial effort using hand digging techniques in frozen ground they had located a 5" layer of gasoline. Due to the small size of the hole it was not possible to determine what the gasoline was resting on or even if it was only 5" thick. The hole was backfilled to prevent the release of gasoline vapors, while recovery and plume definition alternatives were considered.

On 2-22-89 I flew to Unalakleet with Larry Safford. The purpose of the trip was to inspect the tank farm area and meet with U.N.C. President Bob Gilley, to discuss what further actions the corporation would take. After driving by the spill site, Larry and I met with Bob Gilley. The Unalakleet Native Corporation lawyer and a consultant were on the speaker phone. I tried to describe the situation over the speaker phone.

Investigations to date had shown that the fuel had likely leaked from a cracked, buried, gravity pressurized distribution line. There was no evidence that fuel had flowed over the ground but rather it seems to have percolated through the frozen but porous ground and has pooled about 9' below the ground surface. The extent of the plume is unknown at this time, although it may not have moved too far yet because of the season. I expressed concern that extreme caution be taken during recovery efforts because of the extremely hazardous nature of gasoline and the proximity of the spill to other bulk fuel storage tanks and a residential subdivision. Additionally I expressed concern that efforts to define the plume were organized properly to minimize costs. I feel that because the ground is frozen we have some time for proper planning, although if recovery efforts are not underway by the second week of March at the latest I am very concerned that breakup will cause problems.

FEB 27 '89 09:37 NOME-LIO#443-2152

P.2

It is important to remember that Unalakleet lies on a small spit bordered to the east by a slough, to the south by the Unalakleet River and to the west by Norton Sound. There is a herring fishery which occurs in May and commercial salmon fishing as well as subsistence fishing occur throughout the summer. Additionally marine mammals are present in the area.

At 2:47 PM today I talked with Dave McDowell of the Alaska Division of Emergency Services (A.D.E.S.). A.D.E.S. had been informed by U.N.C. that their insurance coverage contained an environmental exclusion. U.N.C. does not have the financial resources to respond to the spill and was interested in whether or not disaster/emergency monies might be available. Dave was investigating whether ADEC had any spill clean up money available before pursuing emergency funding. Our monies are tied to cost recovery from the responsible parties. Since the responsible party would be cleaning this spill up if they had the financial resources, it seems somewhat futile for us to be suing them for what they don't have.

The bottom line is that unless we are able to begin recovery and plume definition operations by the beginning of the second week of March, I am extremely concerned that breakup could increase the plumes rate of migration such that we would be unable to prevent it migrating to the Unalakleet River or Norton Sound, possibly resulting in serious damage to the environment, not to mention the threat to life and property.

cc: Peta McGee
Jon Janssen
Lyn Kent
Dave McDowell

B

MEMORANDUM

State of Alaska

* Binkley
Wallis
Notified

TO: Mike Irwin
Special Assistant
Office of the Governor

FROM: Ervill Paul Martin
Division of Emergency Services
Department of Military
and Veterans Affairs

DATE: February 28, 1989
FILE NO: 12.B
TELEPHONE NO: 376-2337
SUBJECT: Tanana Elder's
Residence

Enclosed is a draft Declaration and Fact Sheet concerning cold weather damage to the City of Tanana's Elder's Residence.

The City of Tanana has submitted a local Declaration of Disaster Emergency for the loss of the fire sprinkler system in their Elder's Residence. The occurrence of the recent "Omega Block" caused the freeze up and destruction of the fire sprinkler system which is in place above the ceiling of the facility. To repair the system as is would require removal and replacement of either the ceiling or roof and the system would still be in jeopardy of freezing in the future.

It would cost less to abandon the old, burst system and replace it with a new system that hangs down into the room and is exposed to normal room temperatures.

The Elder's Residence is home for up to ~~individuals~~ / including ~~blind and invalid persons~~. / The building is part of the old Public Health Service Hospital and is leased to the City of Tanana. ~~the City of Tanana is responsible for the lease, plan~~ ~~the building for maintenance and building code compliance upon~~ ~~the City~~. For the Elder's Residence to be without the sprinkler system is a threat to life of the residents.

The State Fire Marshal's Office requires a plan review for sprinkler systems to assure fire code compliance. Recovery costs will therefore require both engineering design costs and plan review costs by the Division of Fire Prevention.

I am recommending the use of Disaster Relief Funds to assist the City of Tanana in recovering from the loss of the Elder's Residence fire sprinkler system and that funding be as follows.

Public Assistance \$68,000.00
Administration \$10,000.00

FACT SHEET

ADES/MIKE BIRD
249-1370
February 28, 1989

A. SUBJECT Tanana Elders Residence

B. BACKGROUND During the recent cold period the fire sprinkler system in the Tanana Elder's Residence suffered major damage due to freezing. The Residence is operated by the City of Tanana's Health and Social Services and is partially funded by the Older Alaskans Commission. The residence houses up to 16 elderly including blind and incapacitated individuals.

C. FACTS BEARING ON THE SUBJECT

1. Facts:

- a. ~~System~~ is required by building code (therefore State Fire Marshal) and presents a threat to life while inoperable.]
- b. To repair the system in place would require reconstruction expenditures equivalent to the cost of replacing the present above ceiling system with a below ceiling system that would be ~~at least~~ likely to freeze in the future. }

*

~~Insurance~~ on the

2. Actions Completed: Fact finding through Tanana Chiefs Conference, Older Alaskan's Commission, Public Health Service, Village Safe Water, City of Tanana and State Fire Marshal's Office.
3. Actions Required: Recommend that a declaration of disaster be signed by the Governor to provide funding for reconstruction of the sprinkler system.

Division of Emergency Services

Summary of damages claimed by the City of Nome

Damages to streets	
26 blocks of surface	\$550,376.00
Damages to water and sewer system (including damage to school property caused by water leaks)	
Repair to fire hydrants	12,000.00
Repair to water reservoir	15,000.00
Modification of steam boiler for extreme cold	7,000.00
Repair of line breaks & repair to streets	300,000.00
Engineering	20,000.00
Repairs to school property	53,875.00
Total water & sewer	\$417,875.00
Total damages for City of Nome	\$968,251.00

Cold weather bill

KCHU/TERMINAL RADIO, INC. CAPITAL REQUEST

high winds and extreme temperatures during the first few weeks of 1989 caused KCHU to go off the air several times. The specific damage incurred was to the Antenna and Ground system and a failure of the transmitter shelter's insulation and heating system. At our Studio/office facility the air intakes to our air handling/heating/ventilation system were jammed with snow, causing the heating element to freeze and burst the plumbing. The resulting flood in our newsroom/operations office caused considerable additional damage. The entire core unit of the air handler must be replaced to meet code.

This project request is for funds to replace the air handling system in our studio suite, install protective louvers to prevent a recurrence, and repair or replace the equipment, furniture and fixtures damaged by the flooding. We will also repair the Antenna/Ground system interface at our transmitter site, upgrade anchors & guys on the tower and shelter retrofit additional insulation and roof support for the shelter, install a fuel tank and oil heater and replace/repair transmitter site fencing.

Our cost estimates were prepared in consultation with local suppliers, contractors and the project supervisor of our original construction effort. We feel they represent a realistic view of the costs to bring KCHU back to full operational capability and provide some needed preventive maintenance for our basic plant.

I. KCHU Studio Repairs (128 Pioneer Drive, Valdez)

- A. Air Handling/Heating System...replacement & repair
New heat exchange unit, new ducting, new controls & louvers, new fan motor & controls, repair duct vents to outside.
ESTIMATE: Labor @ \$2305, Materials @ \$3700, TOTAL: \$6005
- B. Studio Building Repair/Renovation...Repair or replace water damaged ceiling, shelving & walls, move Satellite downlink electronics rack, rewire power supply, replace water damaged electronics, rebuild/relocate front & rear entrance stairs.
ESTIMATE: Labor @ \$3155, Materials @ \$3400, TOTAL: \$6555

II. Transmitter Site repairs (Old Town City Lease Land)

- A. Tower & Antenna System repair...Recondition anchors & guys, repair & replace tower fence, install new Antenna/Ground interface and replace ground system as needed.
ESTIMATE: Labor @ \$3520, Materials @ \$2300, TOTAL: \$5820
- B. Transmitter Shelter repair/upgrade...Install load bearing partition wall, install additional insulation & vapor barrier, install large capacity oil tank & oil heater, install remote environment sensors (wind velocity, inside & outside temps).
ESTIMATE: Labor @ \$2465, Materials @ \$2115, TOTAL: \$4580

III. SUMMARY OF PROJECT EXPENSES	LABOR	MATERIALS	TOTALS
I.A. Air/heat system	\$2,305	\$3,700	\$6,005
I.B. Studio Building repair	\$3,155	\$3,400	\$6,555
II.A. Tower & Antenna system	\$3,520	\$2,300	\$5,820
II.B. Transmitter Shelter	\$2,465	\$2,115	\$4,580
PROJECT REQUEST TOTALS:	\$11,445	\$11,515	\$22,960

MEMORANDUM

State of Alaska

TO Jeff Morrison
Admin. Support Svs. Division
Department of Military
and Veterans Affairs

DATE March 9, 1989

FILE NO:

GOVERNOR'S OFFICE

TELEPHONE NO 376-2337

FROM *A. S. ds*
Ervin Paul Martin, Director
Division of Emergency Services
Department of Military
and Veterans Affairs

SUBJECT Statewide Emergency
Response Activities

Yesterday we telecopied our complete files on the following disaster related activities:

1. North Slope Borough
2. Northwest Arctic Borough
3. Saint George
4. Sand Point
5. Ahkiok
6. Tanana
7. Letter to FEMA requesting preliminary damage assessment team.

NOT included was a breakout of expenditures that are being handled under the Governor's Statewide Emergency Declaration which was signed by the Governor on January 28, 1989. Included under this declaration are emergency response actions that cover a wide range of activities. The following is a summary of costs incurred to date under that particular declaration:

1. Emergency repairs to water and sewer systems statewide. Over 50 communities involved. Damage was relatively minor and for the most part was 15,000 or less per community. Money has been RSA'd to VSW for project management. \$261,000
2. Open up road to Whale Pass. Money RSA'd to DOT/PF. \$184,400
3. Open road to Slana. Money RSA'd to DOT/PF \$ 25,000
4. Open wood cutting road in Interior Region. Money RSA'd to Division of Forestry. \$ 2,000
5. Resupply of food and other essential items to Lime Village, Takotna, Nicolai and Telida. Cost includes air transportation. \$ 14,500

6.	Fuel and air transportation costs for Manokotak.	\$ 13,440
7.	Space heaters for Klawock.	\$ 2,000
8.	Stream clearance at Hyder.	\$ 6,000
9.	Emergency fuel airlift charges. We paid transportation - villages paid for fuel.	
a.	Manokotak (second requirement)	\$ 16,600
b.	Tuntutuliak	\$ 20,000
c.	Eek	\$ 9,000
d.	Noorvik	\$ 22,500
e.	White Mountain	\$ 7,728
∴	Tuluksak	\$ 6,750
g.	Cordova (required different grade of fuel)	\$ 23,875
h.	Unalakleet	\$ 29,400
i.	Karluk	\$ 9,400
10.	Open road to Tetlin.	\$ 5,000
11.	Energy assistance to individuals.	\$100,000
12.	Mekoruk - damage to public facilities.	\$ 2,500
13.	Engineering services.	\$ 10,460.69
14.	Technical assistance to Thorne Bay Fire Department.	\$ 330
15.	Aerial resupply of food and essential items to Birch Creek.	\$ 18,918.96
16.	Grader rental to open road to Thorne Bay.	\$ 1,375
17.	Grader rental to open road to Whale Pass.	\$ 3,930
18.	Aerial resupply of food and essential items to children of a family stranded in an isolated cabin.	\$ 2,000
TOTAL TO DATE		\$621,892.05

* Costs to reimburse Red Cross for various services and National Guard expenses are unknown at this time.

* Based upon the above we estimate total costs for this portion of the disaster will be in the \$800,000 to \$1,000,000 range.

Page 3
March 9, 1989

Incidentally, Nome has indicated that damage to their water and sewer system may now go over the \$1,000,000 mark. They are still doing their assessment and don't anticipate formally requesting a declaration before March 17.

cc: Mike Irwin
Special Assistant
Office of the Governor



Alaska State Legislature

SENATE

Official Business

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

April 21, 1989

TO: Senator Mike Szymanski
FROM: Senator Jay Kerttula
SUBJECT: Senate Bill 292, cold-weather disaster bill

J. Kerttula

During the winter storms in early 1989, KCHU in Valdez experienced severe damage to their transmission system and studio. Senate Bill 292 addresses the problems incurred by communities during this storm.

I would appreciate it if you would offer the following amendment to Senate Bill 292 when it is up in the Senate Community and Regional Affairs Committee; it is scheduled for a hearing on April 25:

*Sec. The sum of \$22,960 is appropriated from the general fund to the Department of Administration, Alaska Public Broadcasting Commission, for payment as a grant under AS 37.05.316 to KCHU Radio Station in Valdez, for transmission site and studio repairs.

High winds and extreme temperatures during the first few weeks of 1989 caused KCHU to go off the air several times. The specific damage incurred was to the Antenna and Ground system and a failure of the transmitter shelter's insulation and heating system. At our Studio/office facility the air intakes to our air handling/heating/ventilation system were jammed with snow, causing the heating element to freeze and burst the plumbing. The resulting flood in our newsroom/operations office caused considerable additional damage. The entire core unit of the air handler must be replaced to meet code.

This project request is for funds to replace the air handling system in our studio suite, install protective louvers to prevent a recurrence, and repair or replace the equipment, furniture and fixtures damaged by the flooding. We will also repair the Antenna/Ground system interface at our transmitter site, upgrade anchors & guys on the tower and shelter retrofit additional insulation and roof support for the shelter, install a fuel tank and oil heater and replace/repair transmitter site fencing.

Our cost estimates were prepared in consultation with local suppliers, contractors and the project supervisor of our original construction effort. We feel they represent a realistic view of the costs to bring KCHU back to full operational capability and provide some needed preventive maintenance for our basic plant.

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A. Air Handling/Heating System...replacement & repair
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 ESTIMATE: Labor @ \$2305, Materials @ \$3700, TOTAL: \$6005

B. Studio Building Repair/Renovation...Repair or replace water damaged ceiling, shelving & walls, move Satellite downlink electronics rack, rewire power supply, replace water damaged electronics, rebuild/relocate front & rear entrance stairs.
 ESTIMATE: Labor @ \$3155, Materials @ \$3400, TOTAL: \$6555

II. Transmitter Site repairs (Old Town City Lease Land)

A. Tower & Antenna System repair...Recondition anchors & guys, repair & replace tower fence, install new Antenna/Ground interface and replace ground system as needed.
 ESTIMATE: Labor @ \$3520, Materials @ \$2300, TOTAL: \$5820

B. Transmitter Shelter repair/upgrade...Install load bearing partition wall, install additional insulation & vapor barrier, install large capacity oil tank & oil heater, install remote environment sensors (wind velocity, inside & outside temps).
 ESTIMATE: Labor @ \$2465, Materials @ \$2115, TOTAL: \$4580

III. SUMMARY OF PROJECT EXPENSES

	LABOR	MATERIALS	TOTALS
I.A. Air/heat system	\$2,305	\$3,700	\$6,005
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II.B. Transmitter Shelter	\$2,465	\$2,115	\$4,580
PROJECT REQUEST TOTALS:	\$11,445	\$11,515	\$22,960

MEMORANDUM

State of Alaska

TO: Mike Irwin
 Special Staff Assistant
 Office of the Governor

DATE: March 6, 1989

FILE NO:

TELEPHONE NO: 376-2337

FROM: Ervin Paul Martin, Director ^{EW}
 Division of Emergency Services
 Department of Military
 and Veterans Affairs

SUBJECT: Northwest Arctic
 Borough Disaster

On February 23, 1989, representatives from Village Safe Water, Indian Health Service and an independent sewer and water engineer met with ADES to discuss the sewer and water problems within the Northwest Arctic Borough.

The total disaster related recovery costs for the Northwest Arctic Borough are estimated to be approximately \$3.5 million. The Legislature, of course, must approve obligations of money from the Disaster Relief Fund above the Governor's statutory limit of \$1 million. I've enclosed a copy of the summary of costs relating to water and sewer damage that was provided by Village Safe Water. The summary separates recovery costs into emergency operations, immediate repair needs, interim operations and final repairs. Final repairs and a percentage of interim operations can generally be planned for construction season or after the first of June.

At the conclusion of the meeting, the group agreed upon the following allocation of the initial \$1 million in funds already authorized for this disaster:

Alaska Power Authority (Buckland generator)	\$100,000
Northwest Arctic Borough School District	123,000
Village Safe Water	737,000
Administrative Costs	<u>40,000</u>
TOTAL	\$2,580,000

Basically, this will take care of most of the emergency operations, assessment and immediate repair requirements and will provide each community with some degree of water and sewer service. However, there are insufficient funds available within the currently authorized \$1 million ceiling to accomplish interim operations (\$147,192) or final repairs (\$2,474,309). Additionally, to prevent the same problem from happening in the future, Noatak's CIP request for \$400,000 will also have to be increased to \$900,000 in order that adequate well water and storage capacity can be provided. To summarize the above, it appears that approximately \$3.5 million (rounded) in additional funds will be required. over

sewage lagoon

and above what has already been authorized, to complete the recovery effort within the Northwest Arctic Borough.

The questions now remains what, if any, "pocket" the additional funds should come from? In my opinion there are three options available, each of which require legislative concurrence.

OPTION 1

Fund the \$2.6 million required for interim and final repairs from the Disaster Relief Fund and increase the CIP grant request for Noatak from \$400,000 to \$900,000.

OPTION 2

Fund the entire \$3.5 million required for full recovery through a special legislative appropriation sponsored by the Borough's legislative delegation.

OPTION 3

Fund an additional \$565,000 through the Disaster Relief Fund which would take care of all interim operations and permit final repairs on systems at Kiana, Selawick and Kotzebue. This increase will also require legislative concurrence. Fund final repairs for Noatak, (\$3. million including CIP), through a special legislative appropriation.

In reviewing the above, Option 1 gives me the most serious concerns. Actions underway within the \$1 million cap already authorized will in fact complete all emergency actions required. Although not up to pre-disaster conditions, some form of water and sewer service will be provided in each community. It would appear to me that the remainder of the work to be accomplished is more in the nature of CIP, particularly in the case of Noatak, and should more properly be addressed through a special legislative appropriation. Quite frankly I would have great difficulty supporting Noatak's complete request for emergency funds since, in fact, we would be rebuilding/replacing an entire water and sewer system that had a myriad of serious problems long before the disaster actually occurred. The system failure was inevitable under normal circumstances, the cold spell just accentuated the situation.

That basically leaves either Option 2 or 3, either of which I could agree upon. If option 3 is selected, you should be aware that this is the third major water and sewer disaster that Kotzebue has had since 1984 and there is no guarantee that the work accomplished under this disaster will by any means cure all of their problems.

Obviously, there are no easy answers or solutions to this problem. For various reasons, the Governor may wish to fund the entire recovery effort from the Disaster Relief Fund. I can understand this and will certainly abide by your decision. Perhaps, after you've had the opportunity to review this, you may have additional thoughts that we haven't considered. I would appreciate a call, at your convenience, to further discuss the matter.

cc: Greg Capito
Village Safe Water, Juneau

SUMMARY SHEET 1

TOTAL NORTHWEST ARCTIC DISASTER COSTS BY COMMUNITY

COMMUNITY	EMERGENCY OPERATIONS	ASSESSMENT	IMMEDIATE REPAIRS	INTERIM OPERATIONS	FINAL REPAIRS
KOBUK	\$ 0	\$ 1,000	\$ 4,664	\$ 0	\$
SIJINGNAK	1,000	1,000	29,042	0	
AMBLER	3,960	1,000	14,150	0	
KIANA	9,375	2,000	61,375	0	156,87
NOORVIK	6,125	2,000	19,129	0	
BUCKLAND	3,460	1,000	10,950	0	
SELAWIK	9,920	2,000	18,295	0	41,00
DEERING	3,005	300	4,900	0	
KIVALINA	1,650	1,000	750	0	
NOATAK	9,674	4,000	82,165	87,200	2,056,00
KOTZEBUE	60,854	10,000	495,800	59,992	220,41
TOTALS	\$109,023	\$ 25,300	\$741,220	\$147,192	\$2,474,30
TOTAL COST EXCLUDING FINAL REPAIRS				\$1,022,735	

↑
K
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ITY

	TOTAL DISASTER COSTS
0	\$ 5,664
0	31,042
0	19,110
77	229,627
0	27,254
0	15,410
00	71,215
0	8,205
0	3,400
00*	2,239,039
32	847,078
<hr/>	
09	\$3,497,044

requires Legislative Action
May be "other" Action,
than Disaster Relief Fund

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 25, 1989

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600

ADOPTED CEI/ZA

Honorable Al Adams, Chair
Senate Community & Regional Affairs Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Re: SB 292 (appropriations for cold-
weather disaster) -- correction
of typographical error
(Our file: 773-89-0121)

Dear Senator Adams:

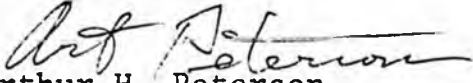
We just discovered a typographical error in this bill (produced in my office), which is currently in your committee.

On page 2, line 10, please change "1989" to read "1990." You will note that this correction makes the bill consistent with the governor's April 19, 1989 transmittal letter. (1989 Senate Journal, page 1310.)

Thank you.

Yours truly,

DOUGLAS B. BAILY
ATTORNEY GENERAL


By: Arthur H. Peterson
Assistant Attorney General

AHP:cb

cc: Robert A. Evans, Legislative Liaison
Alison Elgee, Director, Division of Budget Review, OMB
Office of the Governor



Alaska State Legislature

Senator Mike Szymanski

ADOPTED C-42A

While in Session:

P.O. Box V
State Capitol, Room 11
Juneau, Alaska 99811
(907) 465-4978/4979
FAX (907) 465-2652

During Interim:
3111 C Street, Suite 510
Anchorage, Alaska 99503
(907) 561-7617

165 E. Parks Highway
Legislative Information Office
Wasilla, Alaska 99687
(907) 376-MIKE

MEMORANDUM

TO: Senator Al Adams
Chair
Senate Community & Regional Affairs Committee

FROM: Senator Mike Szymanski

DATE: April 25, 1989

SUBJECT: Amendment to Senate Bill 292

During the winter storms in early 1989, KCHU in Valdez experienced severe damage to their transmission system and studio. The specific damage involved the antenna and ground system and a failure of the transmitter shelter's insulation and heating system. The studio/office ventilation system was jammed with snow, causing the heating element to freeze and burst the plumbing. The resulting flooding caused additional damage.

Senate Bill 292 addresses the problems incurred by communities during this storm.

I would appreciate the Committee's consideration of the attached amendment to Senate Bill 292 when it comes up in the Senate Community and Regional Affairs Committee on April 25.

The amendment is for an appropriation of \$22,960 to replace the air handling system in the studio suite, install protective louvers to prevent reoccurrence and repair or replace equipment, furniture and fixtures. It will also repair the antenna/ground system interface at the transmitter site.

Attachment

Senate District E

Mat-Su • So. Anchorage • Bird/Indian • Girdwood • Whittier • Nikiski • Cooper Landing • Hope • Seward • Cordova • Valdez

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

292
April 19, 1989

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making special appropriations for the cost of repairs, economic relief, and additional expenses resulting from the statewide cold weather disaster in January 1989.

This appropriation, totaling \$11,157,850, was not included in the proposed capital budget because the emergency declaration of disaster occurred after that budget was introduced.

An additional appropriation to mitigate the effect of the cold weather is necessary because the total cost of damages exceeds the \$1 million per disaster limitation of the disaster relief fund. These damages also exceed the total amount available in the disaster relief fund. Moreover, it is important to make this money available to the communities as early as possible so that facilities may be repaired this summer.

This bill also appropriates \$5.5 million to the disaster relief fund specifically for the January statewide emergency declaration of disaster to allow for future, unknown damages. Unobligated and unexpended balances of this \$5.5 million appropriation will lapse into the General Fund on June 30, 1990.

Additional material pertaining to this special appropriation will be furnished to the legislature by my staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper
Governor

Letter from the Governor

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU
REVISED
DECLARATION OF A DISASTER EMERGENCY

WHEREAS, during the month of January, 1989, the Northwest Arctic Borough experienced a major cold wave causing extensive severe weather related problems; and,

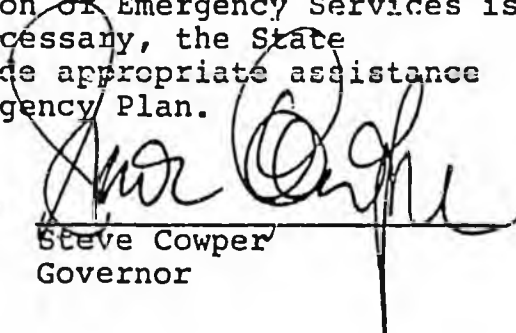
WHEREAS, as a result of this cold wave, water systems were frozen and damaged in Kotzebue, Noatak, Noorvik, Shungnak, Kiana, Selawick, and possibly other communities in the Borough, and the City of Buckland suffered a total loss of electrical generation capability; and,

WHEREAS, the Northwest Arctic Borough has declared a disaster situation which is beyond the Borough's ability to provide relief to the residents of these communities, and has requested a State Disaster Declaration in order to provide assistance.

NOW, THEREFORE, on this 17th day of February, 1989, under the authority granted by the Alaska Statutes, Section 26.23.20, I hereby declare that a condition of disaster exists in the Northwest Arctic Borough, and is of sufficient severity and magnitude to warrant a disaster declaration in order to provide assistance.

FURTHER, the Director, Alaska Division of Emergency Services, is hereby authorized to utilize funds made available for these purposes in such amounts as considered necessary for administrative and disaster management expenses. The Director of the Alaska Division of Emergency Services is further authorized to task, as necessary, the State departments and agencies to provide appropriate assistance in accordance with the State Emergency Plan.

By:


Steve Cowper
Governor

DISASTER RELIEF FUND
FY89 STATUS THROUGH 4/18/89

Additions to fund

CH 154, SLA 88 (operating budget)	6000.0
Net effect of closeouts and miscellaneous adjustments	109.9
Allocations from fund (see below)	-4134.3
Available for allocation 4/18/89	1975.6

<u>Disaster Allocations</u>	<u>DRF (GF)</u>	<u>Fed Funds Total</u>
Disasters Declared in FY89		
Eagle Village Electrical (7/88)	15.0	15.0
Shishmaref Tide Disaster (7/88)	340.0	340.0
Klawock Dump Fire (10/88)	50.0	50.0
Yukon Flats Fire (11/88)	300.0	300.0
Statewide Cold Disaster	800.0	800.0
Northwest Arctic Borough Cold Disaster	1000.0	1000.0
St. George Barge Sinking	135.0	135.0
Sand Point Water Line Freeze-up	65.0	65.0
Akhiok Power System Disaster	70.0	70.0
North Slope Borough Storm	170.0	170.0
Exxon Valdez Oil Spill	1000.0	1000.0
Galena Water & Sewer	181.3	181.3
Allocations to previously-declared disasters		
Chenega Bay additional (3/88)	8.0	8.0
 Total	 4134.3	 4134.3

Prepared by: Department of Military and Veterans Affairs
Contact: Jeff Morrison, 465-4600
File: DRFSTAT2

CITY OF ALEKNAGIK

P.O. Box 33

ALEKNAGIK, ALASKA 99555

(907) 842-5953

MAR 20 1989

GOVERNOR'S OFFICE

March 16, 1989

Governor Steve Cowper
State of Alaska
Office of the Governor
Juneau, Alaska 99811

Dear Steve,

Enclosed is a copy of Resolution 89-2 requesting assistance for funding for Aleknagik School, which was passed and approved during the regular council meeting on March 14, 1989. We would appreciate your cooperation.

Sincerely,

Patrick Aloysius Sr.

Patrick Aloysius, Sr.
Mayor

CITY OF ALEKNAGIK, ALASKA

Resolution 89-2

A RESOLUTION REQUESTING THE GOVERNOR, STATE DISTRICT REPRESENTATIVES, AND SOUTHWEST REGIONAL SCHOOL DISTRICT TO ASSIST IN ASSURING THERE WILL BE ADEQUATE FUNDING TO PROVIDE ALEKNAGIK STUDENTS A SCHOOL MEETING ALL HEALTH, SAFETY AND BUILDING CODES.

WHEREAS, the Aleknagik Gym collapsed February 8, 1989 trapping 6 students and rendering the total school inhabitable for an undetermined period of time, and

WHEREAS, this building constructed during 1982-83 has never been adequate to handle current student enrollment requiring classes to be held at times in city facilities as well as the past two years in one teacher housing unit and

WHEREAS, during the past three years settling of the piling foundation has caused concern requiring monitoring of the settling due to all piling not settling the same distance at the same time, and

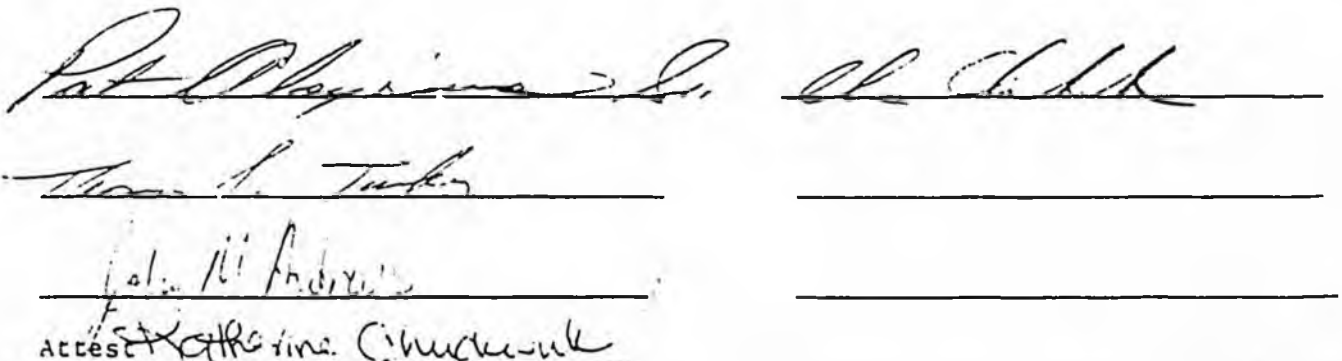
WHEREAS, the Mound Type Septic System, although still meeting code will require expensive renovation in the future, and

WHEREAS, the parents, council and children of Aleknagik have great concern over moving back into the remaining class room section and would prefer a complete new facility, now

THEREFORE BE IT RESOLVED by the City Council of the City of Aleknagik:

1. That two separate engineering firm opinions be obtained as to the safety of the classroom and piling foundation movement before the section is reopened to student use.
2. That the engineering opinions be given at a public meeting in Aleknagik where the public may participate.
3. That a study be made to establish if the school is adequate for current and 25 years future enrollment along with meeting all required codes before any additional monies are spent on reconstruction of failed section.
4. That the Department of Public Facilities and District Representatives confer with Southwest Regional School District as to adequate funding to assure our students a school which meets all codes.

PASSED AND APPROVED this 14 day of March 1989 by the City Council of the City of Aleknagik.


The bottom section of the document contains four handwritten signatures, each followed by a horizontal line. From top to bottom, the signatures are: 1. A large, cursive signature that appears to be 'Pat...'. 2. A signature that appears to be 'Thomas...'. 3. A signature that appears to be 'John...'. 4. A signature that appears to be 'Attest...'. The word 'Attest' is printed in small letters to the left of the bottom-most signature.

05 '89 10:45 CITY-OF-KOTZEBUE

City of Kotzebue
Resolution No. 89-8
Page Two

the water supply, sewage and solid waste disposal
and fire protection systems.

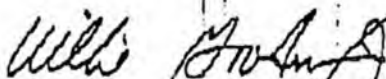
NOW THEREFORE BE IT RESOLVED THAT the City of Kotzebue hereby
requests the Governor to declare a local disaster.

FUTHER RESOLVED that the City respectfully requests the Governor
to take any or all actions to rectify this serious public health
problem and relieve this state of emergency.

FUTHER RESOLVED that the City will pay all fringe benefits for
workers as it local contribution.

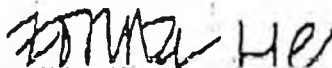
PASSED AND APPROVED THIS 8TH DAY OF FEBRUARY, 1989.

CITY OF KOTZEBUE:

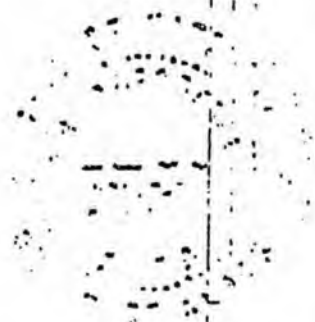


Willie Goodwin, Jr. Mayor

ATTEST:



Zonna Lie, City Clerk



S B

304

Senator John B. (Jack) Coghill

Alaska State Legislature

Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862



MEMORANDUM

DATE: March 6, 1990

TO: Senator Paul Fischer, Chairman
Senate HESS Committee

FROM: Senator Jack Coghill

SUBJECT: CSSSSB 304 (L&C) Sponsor Statement

Senate Bill 304, "An Act relating to disability insurance; and providing for an effective date" would establish a Comprehensive Disability Insurance Association. The purpose of the association would be to provide access to disability insurance coverage to all residents of the state who are denied adequate disability insurance coverage for any reason or who are otherwise considered uninsurable.

The availability of this insurance would be through a pool established by members of medical service corporations in the state that offer medical coverage through health insurance. It would be mandatory for those corporations offering any medical coverage to maintain membership in the association.

The Comprehensive Disability Insurance Corporation would be governed by a Board of Directors, which would include the Director of the Division of Insurance. They shall establish a plan of operation to provide disability insurance.

In order to make this system work, minimum and maximum benefits shall also be established.

The pool structure shall establish premium rates that must be fair. A ceiling would be established of 150% of the coverage of the five highest carriers offering health benefit plans in the state.

The bill also sets out the duties of the Director of the Division of Insurance, and establishes the eligibility of persons who may be covered under this program.

I ask that you give CSSSSB 304 (L&C) your most favorable consideration, as everyone should have the opportunity to purchase health insurance.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 12, 1990

SUBJECT: Disability insurance - CSSSSB 304(L&C)
TO: Senator Jack Coghill
FROM: Michael F. Ford *M.F.*
Legislative Counsel

The following is a sectional analysis of CSSSSB 304(L&C):

Section 1 - Legislative intent.

Section 2

Sec. 21.55.010 - Establishes the Comprehensive Disability Insurance Association and provides that the purpose of the association is to provide health insurance to eligible residents of the state.

Sec. 21.55.020 - Establishes the board of directors of the health insurance association, and requires the board to use a weighted voting system based on premium income.

Sec. 21.55.030 - Establishes the general powers of the authority.

Sec. 21.55.040 - Requires the association to develop a plan of operation. Provides specific items that must be included in the plan of operation.

Sec. 21.55.050 - Exempts the association from the Administrative Procedure Act (AS 44.62).

Sec. 21.55.060 - Exempts the association from all taxes except taxes on real or personal property. Allows a tax credit for members of the association.

Sec. 21.55.100 - Requires the authority to provide health care insurance to eligible residents of the state.

Who pays

diabetic

Sec. 21.55.110 - Establishes minimum benefits that must be provided.

Sec. 21.55.120 - Establishes deductible and copayment amounts. Provides for annual adjustment of the deductible.

Sec. 21.55.130 - Establishes criteria for coverage of a pre-existing condition.

Sec. 21.55.140 - Provides that certain care and services are not covered by the state insurance plan.

Sec. 21.55.150 - Establishes limits on the premium charged for state insurance.

Sec. 21.55.200 - Establishes criteria for selection of an insurer to administer the state plan.

Sec. 21.55.210 - Establishes the duties of the insurer who administers the state plan.

Sec. 21.55.220 - Provides for enrollment in the state plan, and for assessment of claims expenses to members of the association.

Sec. 21.55.300 - Establishes eligibility requirements for enrollment in the state plan.

Sec. 21.55.310 - Provides for enrollment in the state plan.

Sec. 21.55.320 - Requires the writing carrier to act on an enrollment application within 30 days.

Sec. 21.55.330 - Establishes the effective date of insurance coverage.

Sec. 21.55.340 - Requires the association to solicit eligible residents for enrollment.

Sec. 21.55.400 - Duties of the director of the division of insurance.

Sec. 21.55.410 - Gives the state immunity for acts or omissions of the association, and for payment of claims.

Sec. 21.55.500 - Definitions.

Senator Jack Coghill
Page 3
March 12, 1990

Section 3 - Establishes a tax credit for members of the association.

Section 4 - Requires the association to make insurance available to residents by January 1, 1991.

Section 5 - Effective date.

MFF:pl
WKP3/037

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
BUREAU ALASKA 99811
917 443 2800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 20, 1990

SUBJECT: Disability insurance - SSSB 304
TO: Senator Jack Coghill
FROM: Michael F. Ford *m.f.*
Legislative Counsel

The following is a sectional analysis of SSSB 304:

Section 1 - Legislative intent.

Section 2

Sec. 21.55.010 - Establishes the Comprehensive Disability Insurance Association and provides that the purpose of the association is to provide health insurance to eligible residents of the state.

Sec. 21.55.020 - Establishes the board of directors of the health insurance association, and requires the board to use a weighted voting system based on premium income.

Sec. 21.55.030 - Establishes the general powers of the authority.

Sec. 21.55.040 - Requires the association to develop a plan of operation. Provides specific items that must be included in the plan of operation.

Sec. 21.55.050 - Exempts the association from the Administrative Procedure Act (AS 44.62).

Sec. 21.55.060 - Exempts the association from all taxes except taxes on real or personal property. Allows a tax credit for members of the association.

Sec. 21.55.100 - Requires the authority to provide health care insurance to eligible residents of the state.

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Sec. 21.55.320 - Requires the writing carrier to act on an enrollment application within 30 days.

Sec. 21.55.330 - Establishes the effective date of insurance coverage.

Sec. 21.55.340 - Requires the association to solicit eligible residents for enrollment.

Sec. 21.55.400 - Duties of the director of the division of insurance.

Sec. 21.55.410 - Gives the state immunity for acts or omissions of the association, and for payment of claims.

Sec. 21.55.500 - Definitions.

Senator Jack Coghill
Page 3
February 20, 1990

Section 3 - Establishes a tax credit for members of the association.

Section 4 - Requires the association to make insurance available to residents by January 1, 1991.

Section 5 - Effective date.

MFF:mi
wkmi6/046

**SUBURBAN
PRINTING**

February 6, 1990

Senator Coghill
P.O. Box 55028
North Pole, Alaska 99705

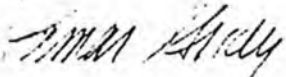
Dear Senator Coghill,

I have a medical condition which apparently makes me uninsurable. I have recently attempted to obtain adequate medical coverage and have been severely ridered because of my current medical condition. I know that there are many others that have the same fate as I.

I would like to express my support for Senate Bill 304 as written. I have recently reviewed the bill and feel that the creation of a "high risk pool" would be a benefit to all concerned. The State of Alaska, the insurance companies involved and certainly the Alaskan participants would be better off as a result of this bill.

Please contact me for any further support that you might need.

Sincerely,



H. Lamar Gray
7703 Arlene
Anchorage, Alaska 99502

Jan Maslyk
2220 Tasha Drive
Anchorage, AK 99502

NOV 22 1989

November 22, 1989

Senator Coghill
P.O. Office Box 55023
North Pole, AK 99705

Re: Support of Senate Bill 304 as written


Dear Senator Coghill,

My dependant child has a medical condition which apparently makes her uninsurable. I have recently attempted to obtain medical coverage for her from two insurance companies and have been rejected by both because of her current circumstance. I understand that there are many Alaskans whom share my situation..

I would like to express my support for Senate Bill 304 as written. I have recently reviewed the bill and feel that the creation of a "high risk pool" would be a benifit to all concerned. The State of Alaska, the insurance companies involved and certainly the Alaskan participants would be better off as a result of this bill.

Please feel free to contact me for any further support that you may need.

Sincerely,



Jan Masiyk

March 27, 1989

To: Senator Jack Coghill
Capital, Room 30
Juneau

From: Jan H. Soloy
P.O. Box 872801
Wasilla, Alaska 99687
376-3813

Subject: High Risk Health Insurance Coverage

I have been an Alaskan resident since 1981, prior to moving here I worked as a Registered Nurse in the speciality areas of Coronary|Intensive Care. The reason I relocated to Alaska was that I married a man that resided here. We have two sons, Matthew is seven and Sam is 3. We own and operate a helicopter company that is based in Wasilla. The past eight years we have built the company from the size of one machine and one employee to five machines and 25 full-time and seasonal employees. Chris and I are active in community youth activity programs and we sponsor youth sports in the area. We also have decided to donate a piece of needed equipment for one of the schools in this area each year that we can. We are firm believers in local business and individuals supporting the community.

For twelve years I have lived with a condition called Multiple Sclerosis. Although I am lucky and have been very stable, living and coping with a disease like MS has been a challenge in many ways. I have had the opportunity to be in large groups for health insurance coverage, that has changed now because of some changes in federal law and company policies of the group we are in. We have group benefits for 17 more months and if it weren't for the fact that our coverage is in Washington and not in Alaska, I would be out-of-luck and be without any comprehensive coverage. Because the Washington legislators saw fit to pass legislation that says that if you lose group coverage you must be guaranteed conversion to an individual plan, regardless of your health status. This goes beyond the COBRA law. Therefore I'm luckier than most with a high risk condition in a non-group situation. I have some basic coverage for general medical care. Nothing for Skilled Nursing Facilities, Hospice, Rehab., no catastrophic coverage at all. I'm grateful for the law in Wa. but I live in Alaska now. I have been turned down for insurance before but went back to work in a large hospital, I have been aware of health insurance problems, now that awareness is reality. I'm one of the 15 million in this country and thousands in this state alone, that because of a preexisting condition is underinsured. The numbers for uninsured are much greater.

I have copies of several pieces of legislation on this topic, that have been introduced in the Alaskan legislature this year and one in 1986. Granted this is a national problem but experts agree that we are at least 20 years away from solving it at the national level. Indeed, the trend for solutions is at the State level of government. Twenty states have passed and put into effect laws which have created some version of a High Risk Health Insurance Pool. This number grows each year, fifteen more, including Alaska have introduced bills dealing with this issue. Yes, the states lose money but without this coverage another group of indigents are created. That has a fiscal impact on the state also. Only Multi-millionaires can afford to be without

page 2 of 2
3-27-89
High Risk Insurance

health insurance. One should not have to get a divorce or relinquish all assets to be eligible for medical benefits.

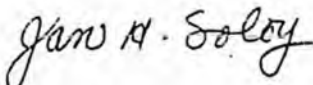
This is a problem that faces many people in Alaska. I have been in contact with the Heart, Diabetes, Lung and Epileptic Associations, MDA; Cancer Society and several Senior Citizens groups among a few. They are all in support of state health insurance for people that have been refused coverage for health reasons. We all realize that this insurance is costly, with large deductibles. I spoke with several that would be able to pay this, with some effort on my part and others you will be hearing from constituents on this. In the meantime, I believe it is time for Alaska to address this problem. I am aware of The Budget problems we face but if 20 going on more states can find ways to resolve this problem despite their varied problems, then I believe Alaska can too and will. Mike Losow of the National MS Society informed me that Alaska had introduced some of the best legislation ever designed to dissolve barriers to health insurance coverage for the chronic condition groups. This made me strangely proud. I told Mike that I felt we would do more than design and consider. The time is now to make this a legislative priority, even in the face of oil prices.

Furthermore, there is no sector of private business that can solve this, we have no one to turn to but our government. Government that was formed, among other things to protect and promote public health for everyone, not just the unfortunate but the middle-class group and upper middle-class.

I support state sponsored and created High Risk Health Insurance. Please consider introducing or supporting legislation that would allow access to health care for the ones who "fall through the cracks".

I would like to hear from you, your thoughts and how close you feel Alaska is to passing this type of legislation.

Respectfully,



Jan H. Soloy

cc: legislative offices

ANALYSIS OF BILL/PROGRAM EFFECTSSECTION 2 AS 21.55.010 - .500AS 21.55.010

This section creates the Comprehensive Disability Insurance Association (CDIA). Membership is mandatory as a condition of licensure for those insurers and hospital or medical service corporations that offer major medical coverage in Alaska. "Self-insurers" are not members and could not be forced to be members due to the preemption created by the Employee Retirement Income Security Act of 1974 (ERISA).

AS 21.55.020

Criteria for CDIA's seven-member board is established in this section. The director or director's designee is a nonvoting, ex-officio member of the board. The vote of a board member is weighted based upon that member's share of Alaska disability insurance premium for major medical coverage. The CDIA board members may be compensated only for their expenses incurred as board members. The costs incurred by the director for association related duties, such as travel expenses to attend board meetings, must be borne by the Division of Insurance's budget. FY 91 would be impacted the most as numerous meetings can be anticipated to implement this program. Four board meetings can be anticipated in future years. The board meetings could also be expected to take place outside of Alaska as board membership will be insurers domiciled outside of this state. It will be more cost effective for members to meet in a central location in the contiguous 48 states.

AS 21.55.030 - .060

These sections set out CDIA's general powers, an outline for a plan of operations, an exemption from the Administration Procedures Act, and an exemption from any taxes and fees levied by the state or any political subdivisions (other than those on real or personal property).

AS 21.55.100

Two plans of disability insurance are required to be made available to eligible residents. The two plans are differentiated by the deductible described in AS 21.55.120 (\$1,000 and \$5,000).

A resident is eligible (AS 21.55.300(a)) for coverage if the person provides evidence of:

1. rejection for medical reasons, a requirement of restrictive riders, an updated premiums or a preexisting condition limitation which has the effect of substantially reducing coverage as compared to a person considered to be a standard risk, by at least one member insurer within six months of the date of application; or
2. involuntary termination of disability insurance coverage for any reason other than nonpayment of premiums.

The following persons are not eligible (AS 21.55.300(b)):

1. a person who, at the time of application, is eligible for medical assistance;
2. a person who terminated coverage under this chapter unless 12 months have elapsed since termination, or that the person can show that other continuous coverage was involuntarily terminated for any reason other than for nonpayment of premium;
3. a person on whose behalf \$500,000 in benefits have been paid; and
4. inmates of public institutions and persons whose benefits are duplicated under public programs.

It should be noted that a person who previously has had double coverage and involuntarily loses one coverage plan would be eligible for this program. If it is not the sponsor's intent for this program to provide for double coverage, this section would need to be amended to accomplish this.

No other eligibility criteria may be applied other than that found in AS 21.55.300 and a person may not be denied coverage if those criteria are met and application is made in accordance with AS 21.55.310.

AS 21.55.110

Minimum benefit standards are established in this section. The benefit configuration is quite comprehensive and may provide for premium rates that may not be affordable even with a premium cap of 150% of a standard rate established under AS 21.55.150. A "no frills" catastrophic type of benefit configuration may wish to be considered in order to address the affordability issue.

AS 21.55.120

The two deductible amounts of \$1,000 and \$5,000 are established here. A deductible "carry-over" provision is established for expenses incurred in the last three months of any calendar year used to satisfy the deductible. Those expenses will be used to also satisfy the deductible in the following year.

A copayment maximum is established.

An insured's out-of-pocket costs are limited to \$2,000 as a result of responsibility for the deductible and copayment.

The deductible may be adjusted annually by the director based upon the change in the consumer price index for the Anchorage Metropolitan area.

AS 21.55.130

This section provides the allowable preexisting medical condition provision to be included in the state plans. No coverage is to be provided for the first twelve months of coverage for any preexistent medical conditions.

The state plan must credit time covered under a previous contract which was involuntarily terminated toward satisfaction of the time parameters in which coverage is not provided for a preexisting condition. In such a situation and if the person applies for state plan coverage within 31 days after involuntary termination, the state plan coverage is retroactive to the termination date.

AS 21.55.140

This section provides a list of care and services not to be covered by the state plans.

AS 21.55.150

Standards for the establishment of premium rates are found here. Age banded rates that vary by geographic location of the insured are required. The rates charged by the CDIA are not to be excessive, inadequate, or unfairly discriminatory. However, the maximum rates charged may not exceed 150% of the average of the rates charged for a standard risk by the five insurers with the largest member of Alaskan residents covered under equivalent plans of insurance coverage. The director would need to establish criteria to determine actuarially equivalent plans and collect data regarding the number of persons covered in each plan in order to determine the five members whose rates are going to be solicited. (This data is not currently reported.) Furthermore, each of the five insurer's rates for its actuarially equivalent plans would have to be verified as being actuarially sound by the division. This activity will have a fiscal impact on the division as well as on the insurance industry. A less costly approach would be to determine the five insurers on the basis of total disability premiums written in Alaska. However, the division would still need to contract annually with a qualified actuary to determine the structural compatibility and actuarial soundness of the rate structures.

Testimony on CSHB 589 of the Fourteenth Legislature from the insurance industry indicated that actuarially sound rates for the uninsurable population might exceed standard rates by a factor of three.

AS 21.55.200

Criteria for the selection of the member to administer the state plans is found in this section. Essentially, the criteria entail the proven ability to administer large insurance contracts efficiently. An additional criteria that may wish to be considered would be to require that an administrative, claims payment facility be located in Alaska. However, cost/benefit justification would need to prevail.

AS 21.55.210

This section sets out the duties to be performed by the writing carrier. The duties include those usually performed by any insurer or hospital or medical service corporation.

AS 21.55.220

The material provisions of this section pertain to establishing each member's liability for its proportional share of the costs to operate the state plans and proportional share of claims that exceed the premiums collected. Each member's proportional share is determined by the relationship of its total disability insurance premiums or subscriber fees to the total of all members. Failure by a member to pay an assessment within 30 days from when it is due is grounds for revocation of that member's certificate of authority. Any gains from operations of the state plans are required to be held at interest and be used to offset future claims or to reduce premium rates.

Any assessments paid by a member are considered an expense item for statutory financial reporting purposes.

AS 21.55.300

Eligibility for participation in the state plans is outlined in this section as well as an outline for those persons not eligible. These criteria were discussed previously in the comments on AS 21.55.100.

AS 21.55.310

This section contains the procedure for application for state plan coverage, and a description of the personal information required to be provided. It should also be noted that no premium payment is required to accompany the application.

AS 21.55.320

This section requires the writing carrier to respond to each applicant within 30 days of request of an application. The application is either rejected for noncompliance with AS 21.55.300 and AS 21.55.310, or it is accepted and billing information is provided.

AS 21.55.330

The effective date of coverage under the state plans is governed by this section. The primary criteria for coverage effectuation is the receipt of the appropriate premium by the writing carrier. Generally, coverage is retroactive to the date of the application. However, coverage may be retroactive to the date that a person's previous coverage was terminated if that person:

1. applies for state plan coverage within 60 days after the previous coverage was terminated;
2. is accepted by the writing carrier; and
3. pays a specified premium for the period of retroactive coverage.

One area in need of clarification is what date constitutes the "date of application". Basically, two possible dates could constitute that date:

1. the date the applicant signs the application (under the assumption the application form will have a signature space, and a space for the applicant to date his or her signature). If this is the intended date, it is recommended that each applicant's signature and date of signature be notarized;

OR

2. the date the writing carrier receives a completed application. This would be determined assumedly by a mechanically stamped day/date of receipt on the application itself.

This clarification can be accomplished with adoption of regulations under AS 21.55.400(3).

AS 21.55.340

This section calls for the association to develop and implement a program of public awareness that encourages and facilitates participation in the state plans. Any member that rejects coverage or applies underwriting restrictions is required to inform that person of the existence of the state plans, eligibility requirements, and the application procedures.

The marketing of the state plans, other than by association members or the writing carrier on a direct basis, is limited to licensed disability insurance agents. No mention is made of any compensation for the agent that "sells" a state plan to an eligible person. The issue of compensation for agents may wish to be addressed.

AS 21.55.400

The duties of the director are outlined in this section. One duty (AS 21.55.400(2)) entails the contracting with other governmental entities (state and federal) to coordinate this program with other medical assistance

programs. It is understood that such arrangements are typically accomplished not through contracts, per se, but through "memoranda of agreement".

AS 21.55.410

This section states the state is not liable for the acts of the association in operating this plan.

AS 21.55.500

This section contains the definitions of the operative terms used in this proposal.

The term "major medical" includes the lifetime maximum of \$500,000. It should be noted that an insurer could escape membership in the association by offering plans with maximum benefits of less than \$500,000.

SECTION 3

This section creates an offset equal to any assessment to premium taxes required to be paid by a member. Such credits may be carried forward if the offset in a given year would reduce a member's premium tax liability to less than zero.

This will result in less premium tax receipts for the state depending upon the state plans' financial performance. It should be noted that this credit can be applied against premium taxes associated only with disability insurance premiums.

There may be an inequitable result due to the different premium tax bases for insurers and hospital or medical service corporations.

SECTION 4

This section requires that state plans be available by January 1, 1991. This appears to be a quite short lead time to develop these plans. If this Act is enacted during the first session, it might be more realistic to have the implementation date set at July 1, 1991.

SECTION 5

This Act would take effect immediately.

SECTION 4

This section requires that state plans be available by January 1, 1991. This appears to be a quite short lead time to develop these plans. If this Act is enacted during the first session, it might be more realistic to have the implementation date set at July 1, 1991.

SECTION 5

This Act would take effect immediately.

AMENDMENTS PROPOSED

- Pg. 4
line 25, 26
1. AS 21.55.110 needs to be amended to include those benefits mandated in AS 21.42.345 and AS 21.42.365.
- X
- AS 21.55.110(2) needs to be amended to define what constitutes "dental conditions" for which coverage is not to be provided.
- Pg. 9
line 26, 27
3. AS 21.55.150 needs to be amended to eliminate the conflict between subsections (a) and (c). (See comments on AS 21.55.150.)
- Pg. 12
line 1, 2, 3
4. AS 21.55.210 needs to be amended to require the writing carrier to perform billing functions and to stipulate that premiums be paid on a quarterly basis, if that is the sponsor's intent.
- Pg. 14
line 25, 26
5. AS 21.55.310 needs to be amended to include a requirement that the applicant provide information proving eligibility for state plan coverage.
- Pg. 14
6. AS 21.55.400(3) should be deleted. (See comments on AS 21.55.400.)
- X
- AS 21.55.500 needs to be amended to include a definition of the term "date of the application". (See comments on AS 21.55.330.)
- Pg. 19
line 12, 13
8. AS 21.55.500 (11) needs to be amended to include a percentile cutoff point in the customary charge profile of cha- s. (See comments on AS 21.55.500.)
- Pg. 19
line 20
9. Section 3, AS 21.09.210(j) needs to be amended to make it clear that the premium tax credit only applies to disability insurance premiums. This can be accomplished by inserting the words "disability insurance premiums" between the words "imposed" and "under" on line 28 of page 19 of the Bill.

SENATE COMMITTEE REPORT

DATE: 3/1/90

FURTHER: Finance

DATE TURNED INTO OFFICE: _____

H E S S

Committee considered

SSSB 304

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 304

"An Act relating to disability insurance; and providing for an effective date."

and recommended:

- replace with _____ CS _____ same title
- or adopt _____ CS _____ new title
- attached amendment(s) technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Lloyd Jones (No Rec)
Al Adams No Rec
Tim Kelly No Rec
Janet ... No Rec

Paul ... (No Rec)

Chair: Signature and Recommendation

FISCAL NOTE

REQUEST:

Revision Date: March 12, 1990
Title: An Act relating to disability insurance

Agency Affected: Commerce & Economic Development
BRU: Insurance

Sponsor: Coghill
Requestor: Senate HESS

Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	65.4	65.4	65.4	65.4	65.4	65.4
TRAVEL	12.0	6.0	6.0	6.0	6.0	6.0
CONTRACTUAL	35.0	35.0	35.0	35.0	35.0	35.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	10.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	123.4	107.4	107.4	107.4	107.4	107.4

CAPITAL	0	0	0	0	0	0
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REVENUE	(0-2,536.4)	(0-2,536.4)	(0-2,536.4)	(0-2,536.4)	(0-2,536.4)	(0-2,536.4)
---------	-------------	-------------	-------------	-------------	-------------	-------------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER PR/GF	123.4	107.4	107.4	107.4	107.4	107.4
TOTAL	123.4	107.4	107.4	107.4	107.4	107.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact in FY 90.

Revised Fiscal Note

Prepared by: David J. Walsh, Director Phone: 465-2515
Division: Insurance Date: _____

Approved by Commissioner: Larry Merculieff Date: 3/11/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

FISCAL NOTE ANALYSIS - C S S S B 304 (L&C)

Personal Services: Funding for a new PFT position, Chief of Operations, \$65.4, is included.

Travel: The director is an ex officio board member of the Comprehensive Disability Insurance Association. The seven members of the board will be from out-of-state insurance companies and hospital or medical service corporations. The travel estimate is based on the director or the director's designee attending eight out-of-state board meetings in the first year of operation and four in each subsequent year at an estimated cost of \$1,500 for each.

Contractual: Each year, the division will have to contract with an actuary to verify that the rating structures of the association are actuarially sound. The estimate for the annual contract is \$25,000.

In addition, the director may undertake studies or demonstration projects to develop awareness of the benefits of the program. The annual estimate for this is \$8,000.

\$2,000 is also included for the new position's miscellaneous contractual expenditures.

Supplies: The new position's supplies are estimated at \$1,000.

Equipment: A work station and computer are included for the new position at \$10,000.

Revenue: The members of the Comprehensive Disability Insurance Association are entitled to receive a credit against taxes levied by the state on disability insurance premiums. The maximum potential loss of state revenue is equal to the total tax collected on disability insurance premiums. It is impossible to predict what the actual tax revenue loss will be. However, using 1987 premium data as a benchmark, the state could lose \$4.2 million.

\$144,444.0	1987 disability premiums of insurers
<u>[62,898.6]</u>	Tax exempt health premiums
\$ 81,545.40	
<u> x 2.7%</u>	Tax rate
\$ 2,201.7	Tax revenue
\$ 61,189.0	1987 disability premiums of hospital and medical service corporations
<u>[55,610.0]</u>	Less claims
\$ 5,579.0	Taxable premiums
<u> x 6.0%</u>	Tax rate
\$ 334.7	Tax revenue
\$ 2,201.7	
<u>+ 334.7</u>	
\$ 2,536.4	1987 total disability insurance tax revenue

Furthermore, insurers whose assessments exceed their tax liability can carry forward the excess credit to be applied against future years' tax liabilities.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to disability insurance

Agency Affected: Commerce & Economic Development
BRU: Insurance

Sponsor: Coghill
Requestor: Senate Finance

Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

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CONTRACTUAL	35.0	35.0	35.0	35.0	35.0	35.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	10.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	123.4	107.4	107.4	107.4	107.4	107.4
CAPITAL	0	0	0	0	0	0
REVENUE	(0-4,234.7)	(0-4,234.7)	(0-4,234.7)	(0-4,234.7)	(0-4,234.7)	(0-4,234.7)

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER PR/GF	123.4	107.4	107.4	107.4	107.4	107.4
TOTAL	123.4	107.4	107.4	107.4	107.4	107.4

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact in FY 90.

Prepared by: David J. Walsh, Director
Division: Insurance

Phone: 465-2515

Date: _____

Approved by Commissioner: Larry Merculieff
Agency: Department of Commerce & Economic Development

Date: 3-2-90

Distribution (by preparer):

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

FISCAL NOTE ANALYSIS - CSSSSB 304 (L&C)

Personal Services: Funding for a new PFT position, Chief of Operations, \$65.4, is included.

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In addition, the director may undertake studies or demonstration projects to develop awareness of the benefits of the program. The annual estimate for this is \$8,000.

\$2,000 is also included for the new position's miscellaneous contractual expenditures.

Supplies: The new position's supplies are estimated at \$1,000.

Equipment: A work station and computer are included for the new position at \$10,000.

Revenue: The members of the Comprehensive Disability Insurance Association are entitled to receive a credit against taxes levied by the state on disability insurance premiums. The maximum potential loss of state revenue is equal to the total tax collected on disability insurance premiums. It is impossible to predict what the actual tax revenue loss will be. However, using 1987 premium data as a benchmark, the state could lose \$4.2 million.

\$144,444.0	1987 disability premiums of insurers
<u> x 2.7%</u>	Tax rate
\$ 3,900.0	Tax revenue
\$ 61,189.0	1987 disability premiums of hospital and medical service corporations
<u> [55,610.0]</u>	Less claims
\$ 5,579.0	Taxable premiums
<u> x 6.0%</u>	Tax rate
\$ 334.7	Tax revenue
\$ 3,900.0	
<u> + 334.7</u>	
\$ 4,234.7	1987 total disability insurance tax revenue

Furthermore, an insurer whose assessment exceeds their tax liability can carry forward the excess credit to be applied against future years' tax liabilities.

1.	POSITION TITLE Chief of Operations				RANGE/STEP 23/A	BARG. UNIT S	PAGE/LINE	COV.	APPROV.	DISAPP
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION:					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1			2		3				
	PERSONAL SERVICES									
5.	Salary			49.2						
6.	Benefits			16.2						
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES			01		65.4				
10.	Travel			02						
11.	Contractual			03		2.0				
12.	Commodities			04		1.0				
13.	Equipment			05		10.0				
14.	Other									
15.	TOTAL COST			78.4						
	RECEIPT CODE			FUNDING SOURCE						
16.				Federal Receipts 1002						
17.				G.F. Match 1003						
18.				General Funds 1004						
19.				I-A Receipts 1005						
20.				Program Receipts 1028		78.4				
21.				Other						
FOR BAH USE ONLY										
KEY NUMBER										

This position is necessary to work with the Comprehensive Disability Insurance Association's board members. The division anticipates that this program will take a great deal of staff time, which is unavailable. Another position is required if the division is to take on this additional responsibility.

Funds are included for a computer and workstation in the equipment line item.

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Dev.
BRU Insurance
COMPONENT Operations

FY 91

Page 1 of 1
Revised Date



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	DIVISION Insurance	BILL NUMBER CSSSSB 304(L&C)	SPONSOR Senator Coghill
SHORT TITLE OF BILL An Act Relating to Disability Insurance			
DEPARTMENT POSITION Neutral			
PREPARED BY Dave Walsh, Director	DATE 3/2/90	COMMISSIONER'S SIGNATURE <i>S. M. [Signature]</i>	DATE 3/5/90

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Health and Social Services	CONSTITUENT GROUP(S) AFFECTED BY BILL Uninsurable residents and residents who have involuntarily lost their health insurance coverage
ORGANIZATIONAL SUPPORT FOR BILL Insurance Industry	ORGANIZATIONAL OPPOSITION TO BILL Unknown

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND LEGISLATIVE INTENT

SB 304 provides for a third party medical care financing mechanism for residents who are either marginally insurable or uninsurable or who have involuntarily lost their coverage with the financial ability to pay premiums at a level deemed affordable. This measure is similar to CSHB 589 of the Fourteenth Legislature, and HB 72 and HB 474 of the Fifteenth Legislature. There is the possibility of a substantial loss of premium tax revenues up to \$4.2 million.

ANALYSIS OF BILL PROGRAM EFFECTS

See Attached

AMENDMENTS PROPOSED

None

4076D-1/3290f

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS

State Legislative Report



THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS 1922 FST, NW, WASHINGTON, D.C. 20006-4387

SLR 87-16

June 4, 1987

* * SPECIAL * *

RISK POOLS FOR UNINSURABLES

ACKNOWLEDGEMENT

The charts and information provided with this SLR were in part compiled by an organization called Communicating for Agriculture which has been interested in the risk pool issue since 1975. We thank them and the other organizations who have provided information to NALU and who continue to provide information on this important issue.

WHAT ARE RISK POOLS?

Among the uninsured are those who have been denied insurance coverage for reasons of poor health or who have been offered insurance policies with extremely high premiums or with restrictive exclusions for pre-existing conditions. For some of these people, money is not the barrier to health care until such time as large medical bills drain their resources.

In 13 states, high risk individuals now have access to health insurance risk pools. Under such programs, health status is in theory eliminated as a barrier to the availability of health insurance, since insurance is available through the pool.

Clearly, risk pools do not eliminate all barriers to the availability of health insurance, because the insurance obtainable through pools is expensive. Nevertheless, advocates argue that this availability of insurance helps to create a principle that everyone should have the opportunity to purchase health insurance. Second, they argue that health insurance for high risk individuals does address one small segment of the larger population of uninsured individuals.

NALU POLICY

NALU supports the passage of enabling legislation in all states to create reinsurance pools or other mechanisms to fully spread the risks associated with insuring those persons now denied access to adequate health insurance.

RECENT NALU BOARD ACTION

At their April 1987 meeting the NALU Board of Trustees adopted a recommendation to refer the issue of state pools for uninsurables to NALU's State Law and Legislation Committee as a high priority item with the exhortation that the Committee work toward the enactment of legislation creating such pools in all states.

PURPOSE OF THIS SLR

To provide information to all recipients of the State Legislative Report and to urge those states currently not providing a method or mechanism for uninsurables to obtain health insurance to consider taking steps toward the eventual enactment of legislation providing for such pools.

BASIC DESIGN OF A RISK POOL

The basic design of a risk pool is to guarantee availability of adequate health insurance to all individuals, regardless of their physical condition. Although the operation of pools varies considerably from state to state there is a basic pattern. The state generally forms an association of all health insurance companies doing business in the state (proposed federal legislation would permit inclusion of self-insuring business in this association). One organization is selected to administer the plan under the guidelines for benefits, premiums, deductibles, etc. as set forth in the state law. Individuals then are able to purchase insurance from the plan.

COVERAGE

Risk pool policies do provide a fairly comprehensive package of benefits. Unlike many private individual policies that do not cover physician fees, risk pools generally specify a minimum benefit package that includes in-patient hospital services and services rendered by or at the direction of a physician, as well as some skilled nursing care, home health care, and prescription drugs.

Normally a choice of deductibles is offered, ranging from as low as \$150 to as high as \$2000, resulting in substantially different premiums. Some form of pre-existing condition restriction has been deemed necessary, if only to prevent individuals from enrolling for insurance only after they need medical care. Most pools have a six to twelve month waiting period for pre-existing conditions. However, some sta-

tes allow a waiver of this waiting period through payment of a premium surcharge.

COST OF
INSURANCE

Cost remains the biggest barrier to obtaining health insurance through risk pools, since insurance provided to high risk individuals must obviously be more expensive than that for standard risks.

While these premiums are high, they would be even higher in the absence of state imposed limits that cap premiums at no more than a fixed percentage (usually about 150%) of the standard individual premium in the state.

One state has taken an additional step to make risk pools more accessible to the poor. The Wisconsin legislature in 1985 passed legislation appropriating funds to assist low income policyholders in paying premiums.

PAYING FOR THE
POOL

In theory, premiums are to cover the majority of claims paid by the pool. In practice, however, premiums are generally insufficient, because of the premium cap and the poor health status of the insured individuals. Accordingly, the losses incurred are compensated by assessing the members of the pooling association, in proportion to their share of the state health insurance market. In most states, these pool assessments are subsidized through rebates on premium taxes or other state taxes.

Experience in most states indicates that the plans lose money over the course of a year. While losses can at times be large, the cost has been in the range of 1% of the total amount of premiums collected from all health insurance policies sold in those states.

Three states, Illinois, New Mexico, Washington, enacted pooling laws in 1987. Illinois was a particularly interesting piece of legislation in that the law bases the subsidy on general revenues, not an assessment on insurers.

IN SUMMARY

No one can reasonably claim that risk pools will solve the entire problem of the insured, since the reasons for this lack of coverage are enormously varied. Some people are left vulnerable by limitations in Medicaid eligibility; others are employed by firms that do not offer health insurance; still others are left without insurance after becoming unemployed or losing dependent coverage through a spouse; some take the risk of not purchasing insurance although they can afford it.

Risk pools represent a small step in reducing the uninsured population, or at least that segment of the insured that is not poor but could become poor when faced with major medical expenses. These plans, however, provide no comprehensive solution to the indigent care problem. Risk pools simply encourage and assist individuals in purchasing health insurance. Those who cannot afford to purchase insurance will in most cases not benefit from the pools.

ADDITIONAL
INFORMATION

The remainder of this SLR contains information on specific state programs showing the status of legislation creating comprehensive health insurance pools and describing the main aspects of a particular states pool.

NAIC MODEL
LEGISLATION FOR
CREATING A STATE
HEALTH INSURANCE
POOLING
MECHANISM

The final attachment to this SLR is the Model Legislation adopted by the National Association of Insurance Commissioners. Immediately preceding t'e NAIC Model is a brief synopsis of the model bill.

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STATUS OF LEGISLATION
CREATING COMPREHENSIVE HEALTH INSURANCE POOLS
FOR HIGH-RISK INDIVIDUALS

<u>STATE</u>	<u>STATUS</u>
Alaska	Introduced in 1986 - Failed.
Arizona	Introduced in 1984 - Failed.
California	Introduced in 1984, 1985, 1986 - Failed.
Colorado	Introduced in 1985, 1986 - Failed.
* Connecticut	Program in effect - 1976.
* Florida	Program in effect - October, 1983.
* Illinois	Introduced in 1985, 1986 - Failed. <i>Passed in 1987</i>
* Indiana	Program in effect - July, 1982.
* Iowa	Passed and signed into law - April, 1986 - To become operational in 1987.
Kansas	Legislation passed and signed into law to further study the issue and draft legislation - March, 1986.
Kentucky	Introduced in 1984 - Failed.
Louisiana	Introduced in 1986.
Maine	To study the issue summer of 1986.
Maryland	To study the issue summer of 1986.
Massachusetts	Studying the issue.
* Minnesota	Program in effect - June, 1976.
Mississippi	Introduced in 1984, 1985, 1986 - Failed.
Missouri	Introduced in 1984, 1985, 1986 - Failed.
* Montana	Passed and signed into law - 1985 - To become operational July, 1987.
* Nebraska	Passed and signed into law - 1985 - To become operational late 1986 or early 1987.
* New Mexico	Introduced in 1986 - Failed. <i>Passed in 1987</i>
New York	Introduced in 1985, carried over to 1986 - Failed.
* North Dakota	Program in effect - June, 1981.

Ohio	Introduced in 1983-84 and 1985-86 - Failed.
Oregon	Introduced in 1985 - Failed.
Rhode Island	Catastrophic health plan in effect.
South Carolina	Introduced in 1985-86 - Failed.
South Dakota	Passed in 1984, but vetoed by Governor. Introduced in 1985 - Failed.
* Tennessee	Passed and signed into law - April, 1986 - To become operational in 1987.
Texas	Introduced in 1977 - Failed.
Utah	Introduced in 1986 - Failed.
Virginia	Passed mandated enrollment for Blue Cross/Blue Shield in 1985. Studying pool issue in 1986.
Washington	To study issue the summer of 1986. <i>Passed in 1987</i>
* Wisconsin	Program in effect - June, 1981.

* Highlighted states have existing plans.

MAXIMUM BENEFITS PROVIDED

<u>STATE</u>	<u>STATUS</u>
Alaska	No Limit In Legislation
Arizona	\$1,000,000 Lifetime Benefit
California	\$1,000,000 Lifetime Benefit
Colorado	\$500,000 Lifetime Benefit
* Connecticut	\$1,000,000 Lifetime Benefit
* Florida	\$500,000 Lifetime Benefit
Illinois	\$500,000 Lifetime Benefit
* Indiana	Plan I - No Limit Plan II - \$50,000 Lifetime Benefit
* Iowa	\$250,000 Lifetime Benefit
Kansas	No Limit in Legislation
Kentucky	\$1,000,000 Lifetime Benefit
Louisiana	\$500,000 Lifetime Benefit
* Minnesota	Regular Plan - \$250,000 Lifetime Benefit Medicare Plan - \$100,000 Lifetime Benefit
Mississippi	\$500,000 Lifetime Maximum
Missouri	\$1,000,000 Lifetime Benefit
* Montana	Not Less Than \$100,000 Lifetime Benefit
* Nebraska	\$500,000 Lifetime Benefit
New Mexico	To be Determined By The Board
New York	\$500,000 Lifetime Benefit
* North Dakota	\$250,000 Lifetime Benefit
Ohio	\$250,000 Lifetime Benefit
Oregon	\$250,000 Lifetime Benefit
South Carolina	\$1,000,000 Lifetime Benefit
South Dakota	\$50,000 Annual - \$250,000 Lifetime Benefit

- | | |
|-------------|----------------------------|
| * Tennessee | \$500,000 Lifetime Benefit |
| Texas | No Limit in Legislation |
| Utah | \$250,000 Lifetime Benefit |
| * Wisconsin | \$250,000 Lifetime Benefit |

* **Highlighted states have existing plans.**

July, 1986

PREMIUM CAPS

<u>STATE</u>	<u>RATE</u>
Alaska	125% Maximum
Arizona	150% Maximum
California	To Be Determined By The Board
Colorado	150% Initial, 200% Maximum
* Connecticut	125% Minimum, 150% Maximum
* Florida	150% Initial, 200% Maximum
Illinois	135% Maximum
* Indiana	150% Maximum
* Iowa	150% Maximum
Kansas	To Be Determined By The Board
Kentucky	150% Initial, 200 Maximum
Louisiana	135% Initial, 165% Maximum
* Minnesota	125% Maximum
Mississippi	150% Initial, 200% Maximum
Missouri	150% Initial, 200% Maximum
* Montana	150% Initial, 400% Maximum
* Nebraska	135% Initial, 165% Maximum
New Mexico	To Be Determined By The Board
New York	150% Maximum
* North Dakota	135% Maximum
Ohio	130% Maximum For First Three Years
Oregon	130% Maximum For First Three Years
South Carolina	150% Initial, No Maximum
South Dakota	125% Initial, 200% Maximum

- | | |
|-------------|-------------------------------|
| * Tennessee | 150% Maximum |
| Texas | To Be Determined By The Board |
| Utah | To Be Determined By The Board |
| * Wisconsin | 150% Maximum |

* Highlighted states have existing plans.

July 1, 1986

DEDUCTIBLES

NOTE: Many states offer more than one plan. Unless stated, the amounts listed are all deductibles available.

<u>STATE</u>	<u>AMOUNT</u>
Alaska	To Be Determined By The Board
Arizona	\$200
California	\$1,000
Colorado	\$250; \$500; \$1,000 and any others Designated By The Board
* Connecticut	\$400; \$1,000; \$1,500
* Florida	\$1,000; \$1,500; \$2,000
Illinois	\$1,000; \$1,500; \$2,000
* Indiana	\$200; \$500; \$1,000
* Iowa	\$500; \$1,000 and any others Designated By The Board
Kansas	To Be Determined By The Board
Kentucky	To Be Determined By The Board
Louisiana	To Be Determined By The Board
* Minnesota	\$500; \$1,000
Mississippi	\$1,000; \$1,500; \$2,000
Missouri	To Be Determined By The Board
* Montana	Not to exceed \$1,000
* Nebraska	To Be Determined By The Board
New Mexico	To Be Determined By The Board
New York	\$500; \$1,000 and any others Designated By The Board
* North Dakota	\$150; \$500; \$1,000
Ohio	\$1,000
Oregon	\$1,000
South Carolina	To Be Determined By The Board
South Dakota	\$500; \$1,000 and any others Designated By The Board

- * Tennessee \$500; \$2,000 and any others Designated By The Board
- Texas \$200
- Utah To Be Determined By The Board
- * Wisconsin \$1,000

* Highlighted states have existing plans.

July, 1986

STOP LOSS/OUT-OF-POCKET EXPENSE LIMITATION

NOTE: Out-of-Pocket expense is the amount each insured will pay each year before the plan begins to pay 100% of eligible expenses.

<u>STATE</u>	<u>AMOUNT</u>																								
Alaska	To Be Determined By The Board																								
Arizona	\$1,000/Individual; \$2,000/Family																								
California	\$3,000/Individual; \$5,000/Family																								
Colorado	\$1,500/Individual; \$3,000/Family																								
* Connecticut	\$2,000/Individual; \$4,000/Family																								
* Florida	<table border="0" style="margin-left: 20px;"> <tr> <td><u>Regular</u></td> <td>Plan I</td> <td>\$2,500/Individual;</td> <td>\$4,000/Family</td> </tr> <tr> <td></td> <td>Plan II</td> <td>\$3,000/Individual;</td> <td>\$4,500/Family</td> </tr> <tr> <td></td> <td>Plan III</td> <td>\$3,500/Individual;</td> <td>\$5,000/Family</td> </tr> <tr> <td><u>Medicare</u></td> <td>Plan I</td> <td>\$1,500/Individual;</td> <td>\$4,000/Family</td> </tr> <tr> <td></td> <td>Plan II</td> <td>\$2,000/Individual;</td> <td>\$4,500/Family</td> </tr> <tr> <td></td> <td>Plan III</td> <td>\$1,500/Individual;</td> <td>\$5,000/Family</td> </tr> </table>	<u>Regular</u>	Plan I	\$2,500/Individual;	\$4,000/Family		Plan II	\$3,000/Individual;	\$4,500/Family		Plan III	\$3,500/Individual;	\$5,000/Family	<u>Medicare</u>	Plan I	\$1,500/Individual;	\$4,000/Family		Plan II	\$2,000/Individual;	\$4,500/Family		Plan III	\$1,500/Individual;	\$5,000/Family
<u>Regular</u>	Plan I	\$2,500/Individual;	\$4,000/Family																						
	Plan II	\$3,000/Individual;	\$4,500/Family																						
	Plan III	\$3,500/Individual;	\$5,000/Family																						
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	Plan III	\$1,500/Individual;	\$5,000/Family																						
Illinois	\$1,500/Individual; \$3,000/Family; \$500/Medicare																								
* Indiana	<table border="0" style="margin-left: 20px;"> <tr> <td>Plan I</td> <td></td> <td>\$1,000/Individual;</td> <td>\$2,000 Family</td> </tr> <tr> <td>Plan II</td> <td>A.</td> <td>\$1,000/Individual;</td> <td>\$2,000 Family</td> </tr> <tr> <td></td> <td>B.</td> <td>\$1,500/Individual;</td> <td>\$3,000 Family</td> </tr> <tr> <td></td> <td>C.</td> <td>\$2,000/Individual;</td> <td>\$4,000/Family</td> </tr> </table>	Plan I		\$1,000/Individual;	\$2,000 Family	Plan II	A.	\$1,000/Individual;	\$2,000 Family		B.	\$1,500/Individual;	\$3,000 Family		C.	\$2,000/Individual;	\$4,000/Family								
Plan I		\$1,000/Individual;	\$2,000 Family																						
Plan II	A.	\$1,000/Individual;	\$2,000 Family																						
	B.	\$1,500/Individual;	\$3,000 Family																						
	C.	\$2,000/Individual;	\$4,000/Family																						
* Iowa	<table border="0" style="margin-left: 20px;"> <tr> <td></td> <td>A.</td> <td>\$1,500/Individual;</td> <td>\$3,000/Family</td> </tr> <tr> <td></td> <td>B.</td> <td>\$2,000/Individual;</td> <td>\$4,000/Family</td> </tr> </table>		A.	\$1,500/Individual;	\$3,000/Family		B.	\$2,000/Individual;	\$4,000/Family																
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Kansas	To Be Determined By The Board																								
Kentucky	To Be Determined By The Board																								
Louisiana	To Be Determined By The Board																								
* Minnesota	Regular Plan - \$3,000/Individual Medicare Supplement - \$1,000/Individual																								
Mississippi	\$1,500/Individual; \$3,000/Family; \$500/Medicare																								
Missouri	To Be Determined By The Board																								
* Montana	\$5,000/Individual																								
* Nebraska	To Be Determined By The Board																								
New Mexico	To Be Determined By The Board																								
* North Dakota	\$3,000/Individual																								

Ohio	\$1,500/Individual; \$3,000/Family		
Oregon	\$1,500/Individual; \$3,000/Family; \$500/Medicare		
South Carolina	To Be Determined By The Board		
South Dakota	\$3,000/Individual		
* Tennessee	A.	\$1,500/Individual;	\$2,500/Family
	B.	\$2,500/Individual;	\$3,500/Family
Texas	\$200 or 10% of insured's adjusted gross income, whichever is greater		
Utah	To Be Determined By The Board		
* Wisconsin	Plan I	\$2,000/Individual	\$4,000/Family
	Plan II	\$500	

* Highlighted states have existing plans.

July, 1986

WAITING PERIOD FOR PRE-EXISTING CONDITION

NOTE: Most plans contain provisions under which coverage is excluded for a certain period of time following the effective date of coverage. This exclusion is based on a pre-existing condition which manifested itself within a certain period of time prior to coverage or medical advice or treatment was recommended or received.

<u>STATE</u>	<u>WAITING PERIOD</u>	<u>CONDITION PERIOD</u>
Alaska	6 Months	6 Months
Arizona	6 Months	6 Months
California	To Be Determined By The Board	
Colorado	6 Months	6 Months
* Connecticut	12 Months	6 Months
* Florida	12 Months	6 Months
Illinois	6 Months	6 Months
* Indiana	6 Months	6 Months
* Iowa	6 Months	6 Months
Kansas	To Be Determined By The Board	
Kentucky	12 Months	6 Months
Louisiana	6 Months	6 Months
* Minnesota	6 Months	90 Days
Mississippi	12 Months	90 Days
Missouri	12 Months	6 Months
* Montana	12 Months	5 Years
* Nebraska	6 Months	6 Months
New Mexico	To Be Determined By The Board	
New York	6 Months	6 Months
* North Dakota	6 Months	90 Days
Ohio	30 Days	6 Months
Oregon	30 Days	6 Months

South Carolina	6 Months	6 Months
South Dakota	12 Months	6 Months
* Tennessee	6 Months	6 Months
Texas	6 Months	6 Months
Utah	12 Months	6 Months
* Wisconsin	6 Months	6 Months

* Highlighted states have existing plans.

July, 1986

POOL FUNDING

NOTE: Because of Federal Law (The Employee Retirement Income Security Act, known as ERISA) self-insurers are not required to become members of a state pool, therefore are not assessed any of the cost. In addition, all state pool legislation allows abatement of assessment if the payment of the assessment would endanger the ability of the member to fulfill his contractual obligations. Also, assessments that are less than an amount determined by the board to justify the cost of collection shall not be considered.

<u>STATE</u>	<u>SOURCE</u>
Alaska	Assessment of losses to participating insurers.
Arizona	Assessment with credit applied against premium tax and income tax. Use formula of approximately 20% per year.
California	The state has created a start-up fund of \$750,000.
Colorado	Assessment with credit applied against premium tax and income tax.
* Connecticut	Assessment of losses to participating insurers.
* Florida	Assessment with credit applied against premium tax and income tax. Maximum assessment of 1% per year on premiums or greater than premium tax. Use formula of approximately 20% per year for offset.
Illinois	Assessment with credit applied against premium tax and income tax. Also allowed to increase rates to offset assessment.
* Indiana	Assessment with credit applied against premium tax and income tax. Also allowed to increase rates to offset assessment.
* Iowa	Assessment with credit applied against premium tax and income tax.
Kansas	To Be Determined By The Board
Louisiana	Assessment with credit applied against premium tax.
* Minnesota	Assessment with credit applied against premium tax and income tax.
Mississippi	Assessment with credit applied against premium taxes, but only for the amount over 20% of total premiums collected by cash insurer.
Missouri	Assessment of losses to participating insurers.
* Montana	Assessment with credit applied against premium tax.
* Nebraska	Assessment with credit applied against premium tax.

New Mexico	To Be Determined.
New York	Assessment to insurers, although state has not determined if tax credit will be allowed.
* North Dakota	Assessment with credit applied against premium tax and income tax.
Ohio	Assessment of losses to participating insurers.
Oregon	Assessment of losses to participating insurers.
South Carolina	Assessment with credit applied against premium tax and income tax.
South Dakota	Assessment with credit applied against premium tax. Use formula of approximately 20% per year for write-off.
* Tennessee	Assessment of losses to participating insurers with credit applied against premium tax.
Texas	Assessment of losses to participating insurers.
Utah	To Be Determined.
* Wisconsin	Assessment of losses to participating insurers plus special fund created by state to subsidize premiums for low-income policyholders.

* Highlighted states have existing plans.

ELIGIBILITY CRITERIA

All states with comprehensive health insurance pools for high risk individuals, as well as those previously introducing legislation, have eligibility requirements for individuals wishing to take advantage of pool coverage.

The most common of these eligibility requirements are one or more of the following:

1. **STATE RESIDENCY.** All individuals applying for pool coverage must be state residents. This ranges from a residency requirement of 30 days up to six months before becoming eligible. Some states simply state "residency required" with no specific period listed.
2. **PROOF OF REJECTION.** Individuals must prove they have been rejected for insurance coverage by at least one insurance carrier. Some states require proof of rejection by at least two carriers, however the trend seems to be requiring only one proof of rejection. In addition, several states are adopting or considering guidelines which allow for automatic acceptance into a pool. The pool Board adopts a list of medical conditions to allow automatic acceptance into the pool without requiring a proof of rejection if the individual is afflicted with one of these conditions.
3. **PRESENTLY INSURED WITH A HIGHER PREMIUM.** An individual is eligible for pool coverage even though they are currently insured if their present insurance has a higher premium than that afforded under the pool.
4. **PRESENTLY INSURED WITH A RIDER OR RATED POLICY.** An individual is eligible for pool coverage even though they are currently insured if their present insurance has a rider attached or is rated.
5. Most states do not allow an individual to apply for pool coverage if that individual is eligible for Medicare or Medicaid. Several states do offer a Medicare supplement plan for these individuals.

AGENT & ADMINISTRATOR FEES

NOTE: Those listed have fees set by statute. All others are to be determined by The Board.

Alaska	Agent Referral Fee - \$50 Administrator Fee - 12 1/2% Maximum
California	Agent Referral Fee - \$100
* Connecticut	Agent Referral Fee - \$20
* Florida	Agent Referral Fee - \$75
* Indiana	Agent Referral Fee - \$25
* Minnesota	Agent Referral Fee - \$50 Administrator Fee - 12 1/2% Maximum
* Montana	Agent Referral Fee - \$25 Administrator Fee - 12% Maximum
* North Dakota	Agent Referral Fee - \$25 Administrator Fee - 12 1/2% Maximum
Wisconsin	Agent Referral Fee - \$35

SYNOPSIS OF MODEL

The purpose of the NAIC Model Bill is to establish a mechanism through which dequate levels of health insurance coverages can be made available to residents of the state who are otherwise considered uninsurable. The bill would establish a state "association" or pool in which all health care financing mechanisms (insurers, non-profit service plan corporations and HMOs) would be members.

The pool coverage consists of very broad, comprehensive benefits with a choice of "high" and "low" deductible. Each state is cautioned that the scope of coverage may not be appropriate. In such case the benefit levels should be adjusted.

By definition, a pool consisting of uninsurable risks will necessitate premium rates substantially greater than applicable for standard risks. The bill establishes an initial maximum rate of 150% of applicable standard risk rates. Thereafter rates are expected to fluctuate according to experience, however, in no event shall rates exceed 200% of standard risk rates. The initial maximum rate of 150% is admittedly inadequate for the risks insured, and the 200% maximum will prevent the rates from becoming prohibitive. Pool losses in excess of the 200% maximum rate will be assessed to each member of the pool in proportion to the volume of business done in the state. Eligibility for pool coverage is not established by criteria such as the incurring of a catastrophic condition or the expenditure of a prescribed amount of earnings for health care. Such criteria may not apply equitably to all uninsurables and may neither be cost efficient nor practical to administer. Practical considerations of price will serve to discourage individuals from buying pool coverage when it is available to them in the standard marketplace at a lesser rate.

For obvious cost containment reasons, the pool coverage is the coverage of "last resort" and it does not duplicate coverages from any other source, private or public. The mechanics of the pool, its operations and functions must all be established under a plan approved by the Commissioner. The pool is subject to the requirements of the insurance code as has the general powers and authority of an insurer licensed to transact health insurance.

MODEL HEALTH INSURANCE POOLING MECHANISM ACT

Table of Contents

Section 1.	Definitions
Section 2.	Operation of Pool
Section 3.	Eligibility
Section 4.	Administrating Insurer
Section 5.	Assessments
Section 6.	Minimum Benefits - Availability
Section 7.	Collective Action
Section 8.	Taxation
Section 9.	Effective Date

BE IT ENACTED BY THE STATE OF (insert state).

(adapt caption and formal portions to local requirements and statutes)

Statement of Principles

The State and Federal Health Insurance Legislative Programs (B6) Task Force was charged to develop model state legislation for the establishment of health insurance pooling mechanisms for uninsurables. The Task Force has developed the attached Model State Health Insurance Pooling Mechanism Bill and recommends its final adoption by NAIC subject to the following principles:

1. Adoption of the model bill does not constitute NAIC endorsement of the pooling concept, nor is it recommended for enactment in all states. Each state is urged to determine, through independent study, whether a pooling mechanism is needed and whether enactment of the model would be cost effective.
2. Enactment of the model bill by states is not recommended unless and until a viable solution is secured, through federal law or otherwise, under which pools for uninsurables can operate on a universal basis including all health care financing mechanisms. These recommendations and principles are consistent with NAIC strategy for alternatives to national health insurance which embrace the interrelated goals concerning the federal ERISA preemption problems, state pooling mechanisms, adequate health insurance availability and cost containment. The interrelationship of these initiatives is exemplified by the ERISA barrier to universal participation in such pools and overall concerns about health care cost containment.

Although much has been accomplished with the enactment of P.L. 97-473 subjecting multiple employer trusts to state jurisdiction, and by the adoption of the NAIC model "Jurisdiction to Determine Jurisdiction" bill, these measures will not, in and of themselves, establish universal participation in state pools for uninsurables.

Uninsurable pools may not be needed in every state, nor present the most effective answer to questions of availability of health insurance in every state. The establishment of such programs is costly and their cost effectiveness should be weighed in relation to whether there is a demonstrated need for a pool in a given state. Their cost effectiveness can be substantially impaired in the absence of universal participation, for without the inclusion of self-insured plans, the financial base necessary to support the pooling mechanism will tend to progressively diminish. The purpose of the attached model bill is to establish a mechanism through which adequate levels of health insurance coverages can be made available to residents of the state who are otherwise considered uninsurable. The bill would establish a state "association" or pool in which all health care financing mechanisms (insurers, nonprofit service plan corporations, HMO's and self-insurers) would be members.

The pool coverage consists of very broad comprehensive benefits with a choice of a "high" and a "low" deductible. Each state is cautioned that the scope of coverage may not be appropriate. In such case, the benefit levels should be adjusted, or the bill should include the Alternative Section 6. under which the Commissioner is authorized to establish by regulation actual pool benefits commensurate with the prevailing levels of group coverages provided in that state.

By definition, a pool consisting of uninsurable risks will necessitate premium rates substantially greater than applicable for standard risks. The bill establishes an initial minimum rate of 150% of applicable standard risk rates. Thereafter rates are expected to fluctuate according to experience, however, in no event shall rates exceed 200% of standard risk rates. The minimum rate of 150% is admittedly inadequate for the risks insured, and the 200% maximum will prevent the rates from becoming prohibitive. Pool losses in excess of the 200% maximum rate will be assessed to each member of the pool in proportion to the volume of business done in the state. Eligibility for pool coverage is not established by criteria such as the incurring of a catastrophic condition, the expenditure of a prescribed amount of earnings for health care, or the rejection of the applicant by any specified number of health insurance carriers. Such criteria may not apply equitably to all uninsurables and may neither be cost efficient nor practical to administer. Practical considerations of price will serve to discourage individuals from buying pool coverage when it is available to them in the standard marketplace at a lesser rate.

For the obvious cost containment reasons, the pool coverage is the coverage of "last resort" and it does not duplicate coverages from any other source, private or public. The mechanics of the pool, its operations and functions must all be established under a plan approved by the Commissioner. The pool is subject to the requirements of the insurance code and has the general powers and authority of an insurer licensed to transact health insurance.

Section 1. Definitions.

- (1) "Pool" means the State Health Insurance Pool as created in Section 2. of the Act.
- (2) "Board" means the Board of Directors of the pool.
- (3) "Insured" means any individual resident of this state who is eligible to receive benefits from any insurer or insurance arrangement as defined in this section.
- (4) "Insurer" means any insurance company authorized to transact health insurance business in this state, any (reference state nonprofit health care service plan act and, if appropriate, HMO law).
- (5) "Insurance arrangement" means any plan, program, contract or any other arrangement under which one or more employers, unions or other organizations provide to their employees or members, either directly or indirectly through a trust or third party administrator, health care services or benefits other than through an insurer.
- (6) "Health insurance" means any hospital and medical expense incurred policy, nonprofit health care service plan contract and health maintenance organization subscriber contract. The term does not include short term, accident, fixed indemnity, limited benefit or credit insurance, coverage issued as a supplement to liability insurance, insurance arising out of a workers' compensation or similar law, automobile medical-payment insurance, or insurance under which benefits are payable with or without regard to fault and which is statutorily required to be contained in any liability insurance policy or equivalent self-insurance.

- (7) "Medicare" means coverage under both part A and B of Title XVIII of the Social Security Act, 42 USC 1395 et seq., as amended.
- (8) "Physician" (reference applicable state laws).
- (9) "Hospital" (reference applicable state laws).
- (10) "Health maintenance organization" (reference applicable state laws).
- (11) "Plan of operation" means the plan of operation of the pool, including articles, bylaws and operating rules, adopted by the board pursuant to Section 3. of this Act.
- (12) "Benefits plan" means the coverages to be offered by the pool to eligible persons pursuant to Section 6. of this Act.
- (13) "Department" means the Insurance Department.
- (14) "Commissioner" means the Insurance Commissioner.
- (15) "Member" means all insurers and insurance arrangements participating in the pool.

Section 2. Operation of the Pool.

- (1) There is hereby created a nonprofit entity to be known as the (State) Health Insurance Pool. A. insurers issuing health insurance in this state and insurance arrangements providing health plan benefits in this state on and after the effective date of this Act shall be members of the pool.
- (2) The Commissioner shall give notice to all insurers and insurance arrangements of the time and place for the initial organizational meetings. The pool members shall select the initial board of directors and appoint one or more insurers to serve as administrator. Both the selection of the board of directors and the administering insurer(s) shall be subject to approval by the Commissioner. The Board shall at all times, to the extent possible, include at least one domestic insurance company licensed to transact health insurance and one domestic nonprofit health care service plan.
- (3) If, within sixty (60) days of the organizational meeting, the board of directors is not selected or the administering insurer is not appointed, the Commissioner shall appoint the initial board and appoint an administering insurer.
- (4) The pool shall submit to the Commissioner a plan of operation for the pool and any amendments thereto necessary or suitable to assure the fair, reasonable and equitable administration of the pool. The Commissioner shall, after notice and hearing, approve the plan of operation provided such is determined to be suitable to assure the fair, reasonable and equitable administration of the pool, and provides for the sharing of pool gains or losses on an equitable proportionate basis. The plan of operation shall become effective upon approval in writing by the Commissioner consistent with the date on which the coverage under this Act must be made available. If the pool fails to submit a suitable plan of operation within 180 days after the appointment of the board of directors, or at any time thereafter fails to submit suitable amendments to the plan, the Commissioner shall, after notice and hearing, adopt and promulgate such reasonable rules as are necessary or advisable to effectuate the provisions of this section. Such rules shall continue in force until modified by the Commissioner or superseded by a plan submitted by the pool and approved by the Commissioner.

- (5) In its plan the pool shall,
 - (a) Establish procedures for the handling and accounting of assets and monies of the pool.
 - (b) Select an administering insurer in accordance with Section 4. of this Act, and establish procedures for filling vacancies on the Board of Directors.
 - (c) Establish procedures for the collection of assessments from all members to provide for claims paid under the plan and for administrative expenses incurred or estimated to be incurred during the period for which the assessment is made. The level of payments shall be established by the board, pursuant to Section 5. of this Act. Assessment shall occur at the end of each calendar year. Assessments are due and payable within 30 days of receipt of the assessment notice.
 - (d) Develop and implement a program to publicize the existence of the plan, the eligibility requirements, and procedures for enrollment, and to maintain public awareness of the plan.
- (6) The pool shall have the general powers and authority granted under the laws of this state to insurance companies licensed to transact the kinds of insurance defined under Section 1. and in addition thereto, the specific authority to:
 - (a) Enter into contracts as are necessary or proper to carry out the provisions and purposes of this Act, including the authority, with the approval of the Insurance Commissioner, to enter into contracts with similar pools of other states for the joint performance of common administrative functions, or with persons or other organizations for the performance of administrative functions;
 - (b) Sue or be sued, including taking any legal actions necessary or proper for recovery of any assessments for, on behalf of, or against pool members;
 - (c) Take such legal action as necessary to avoid the payment of improper claims against the pool or the coverage provided by or through the pool;
 - (d) Establish appropriate rates, rate schedules, rate adjustments, expense allowances, agents' referral fees, claim reserve formulas and any other actuarial function appropriate to the operation of the pool. Rates shall not be unreasonable in relation to the coverage provided, the risk experience and expenses of providing the coverage. Rates and rate schedules may be adjusted for appropriate risk factors such as age and area variation in claim cost and shall take into consideration appropriate risk factors in accordance with established actuarial and underwriting practices.
 - (e) Assess members of the pool in accordance with the provisions of this section, and to make advance interim assessments as may be reasonable and necessary for the organizational and interim operating expenses. Any such interim assessments to be credited as offsets against any regular assessments due following the close of the fiscal year.
 - (f) Issue policies of insurance in accordance with the requirements of this Act.
 - (g) Appoint from among members appropriate legal, actuarial and other committees as necessary to provide technical assistance in the operation of the pool, policy and other contract design, and any other function within the authority of the pool.

Drafting Note - Optional Paragraph

A state may wish to provide members of the pool with the option of utilizing their existing distribution systems for the issuance of pool coverage. If so, such a provision should authorize the establishment of specific rules under which the pool would approve and serve as a reinsurer for coverage issued by members in their own names. Paragraph (h) is designed to allow states to implement this option.

- (h) Establish rules, conditions and procedures for reinsuring risks of pool members desiring to issue pool plan coverages in their own name. Such reinsurance facility shall not subject the pool to any of the capital or surplus requirements, if any, otherwise applicable to reinsurers.

Section 3. Eligibility.

- (1) Any individual person, who is a resident of this state shall be eligible for pool coverage, except the following:
 - (a) persons who have on the date of issue of coverage by the pool coverage under health insurance or an insurance arrangement;
 - (b) any person who is at the time of pool application eligible for health care benefits under (references state Medicaid law);
 - (c) any person having terminated coverage in the pool unless twelve months have lapsed since such termination;
 - (d) any person on whose behalf the pool has paid out \$1,000,000 in benefits;
 - (e) inmates of public institutions and persons eligible for public programs.
- (2) Any person who ceases to meet the eligibility requirements of this section may be terminated at the end of the policy period.
- (3) Any person whose health insurance coverage is involuntarily terminated for any reason other than nonpayment of premium and who is not eligible for conversion, may apply for coverage under the plan. If such coverage is applied for within 60 days after the involuntary termination and if premiums are paid for the entire coverage period, the effective date of the coverage shall be the date of termination of the previous coverage.

Drafting Note - Section 3

It is intended that only those unable to purchase health insurance coverage in the marketplace at a reasonable price will apply for pool coverage. The higher cost of pool coverage should accomplish this result. However, to assure that the pool coverage does not compete with available coverage in the marketplace, a state may desire to include as a criterion for pool coverage the requirement of rejection of coverage by a specified number of health insurance carriers. This question is discussed fully in the attached Synopsis.

Section 4. Administering Insurer.

- (1) The board shall select an insurer or insurers through a competitive bidding process to administer the pool. The board shall evaluate bids submitted based on criteria established by the board which shall include:
 - (a) The insurer's proven ability to handle individual accident and health insurance;
 - (b) The efficiency of the insurer's claim paying procedures;