

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 86/2

10908 HOUSE LABOR & COMMERCE

HB 27. First, architects and engineers are already licensed occupations and have their own board (Board of Registration for Architects, Engineers, and Land Surveyors). These professionals must meet certain educational requirements, insurance requirements, disciplinary requirements, etc. Therefore, they are already overseen by a state licensing board and are subject to that board. Consumer protection is afforded by that Board; therefore, they are exempt under HB 27 from registration as a home inspector **unless they want to call themselves a "home inspector"**. If they want to hold themselves out as home inspector, they must then follow the procedure and requirements set forth in HB 27.

Energy raters, referred to by Mr. Venuti, are exempt as long as they are "determining whether a building complies with the thermal and lighting energy standards required by AS 46.100.040." If they step outside that box, then they, too, must be registered.

What many who complain about this exemption fail to realize is that if they suspect an energy rater or any one else is actually accomplishing "home inspections", HB 27 gives the Department some teeth to go after those individuals and force them to comply with the law regarding home inspectors. (See page 3, lines 1-30; Page 11, line through Page 12, line 7).

**INSURANCE REQUIREMENTS:** Under HB 27 there are minimal insurance requirements established for home inspectors just as there are for contractors and other professions in the state. Frankly, as I have stated many times, individuals in any business who do not have insurance coverage are not following good business practices. The minimal requirements mentioned in AS 08.18.101 are: (1) maintenance of worker's compensation insurance if such is required under state law (mentioned in Mr. Bruu's letter). If you are an employer, state law requires you to carry worker's compensation insurance. Sole proprietors who have no employees do not have to carry such insurance under state law. This is no different than what is required for any other entity with employees doing business in the state. (2) maintenance of public liability and property damage insurance in the amounts of not less than \$20,000 for damage to property, \$50,000 for injury, including, death to any one person, and \$100,000 for injury, including death, to more than one person. Again, I feel that maintenance of such insurance is in the interests of the business as well as the consumer. A home inspector could, for example, damage something during an inspection and would thus be covered under the insurance established by this legislation.

Mr. Venuti states that the amount of insurance should be clearly spelled out in the bill. It is by reference to the appropriate Alaska Statute.

Under HB 27 there is also a \$5,000 bond or cash deposit or other negotiable security accepted to the commissioner required – just as there is with many other occupations in

the state. Again, this is a consumer protection clause and also, frankly, protects the home inspector.

**LIABILITY LIMITATIONS:** Mr. Conn is concerned about the limits on liability and the six month's shelf life for an inspection report. HB 27 provides that legal actions against a home inspector must be commenced within two years after date of the inspection report if it relates to a new home and one year if it relates to an existing home. In effect, this provides the consumer with a length of time to be in the home and discover any problems. It also gives the home inspector some protection, as the limits expressed in HB 27 are shorter than our general statute of limitations and statute of repose. Again, I did this intentionally to benefit both the consumer and the home inspector. I think the time lines are reasonable.

Additionally, the six-month's limitation on the life of the inspection report was also discussed considerably during work on this legislation. It is shorter than the 12 months I have found provided for in other state's laws because I feel that our northern climate is not conducive to such a long period of time. It also provides the consumer some protection because there is a stated length of life of the report. It provides the home inspector protection because of the stated length of life of the report.

**FISCAL NOTE:** Mr. Eruu's assertion is incorrect. If I had left the home inspectors as a single entity with a board of their own, the biennial fee would be around \$1500. By combining them with the approximately 2000 specialty contractors, their fee will be about \$250.

**CONCLUSION:** I believe this covers many, if not all, of the questions asked by the public during the hearing before your committee. I appreciate your consideration of this legislation and I hope that this answers any questions that you or your committee members might have had that arose out of comments from some of those testifying at the hearing. As I stated at the hearing, none of these concerns are new to me and the same individuals have raised the same concerns throughout the whole process and I have answered these questions many time before.

HB 27 represents, as Ms. Ward of the Alaska Homebuilders Association indicated, a compromise. It permits one of the few unlicensed parts of a residential real estate transaction (the bill applies only to home inspections of residential property, four-plexes or less) to become registered with the state. Many other individuals involved in a real estate transactions are already subject to licensing and overview by various state agencies (for example: a real estate agent is covered by the Real Estate Commission; a real estate appraiser is covered by the Board of Real Estate Appraisers; bankers are covered under state or federal banking and/or mortgage laws; land surveyors, architects, and engineers are covered by the AELS board mentioned above, etc.).

Page 5

If you have any further questions, please do not hesitate to contact me. You may, if you wish, distribute this memorandum to those who asked the questions at your committee's hearing. I would appreciate your support of this important legislation.

cc: Members of the Senate Labor & Commerce Committee  
Senator Robin Taylor, Chairman, Senate Judiciary Committee  
Members of the Senate Judiciary Committee  
Steve Conn, Fax: 907-279-9300  
Bill Bruu, Ti-Le-An Management, Fax: 907-376-0879  
F. Venuti, Fax: 907-235-7480



ALASKA ASSOCIATION OF REALTORS, INC.  
741 Sesame Street, Suite 100 • Anchorage, Alaska 99503  
Telephone 907-563-7133 • Fax 907-561-1779

January 16, 2001

JAN 16 2001

Representative Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

RE: HB 27 – Relating to the licensing of home inspections

Dear Representative Rokeberg,

The Alaska Association of REALTORS with over 1,100 members statewide supports House Bill 27 relating to the licensing of home inspectors.

We agree that there should be some minimum standards set forth in this bill to protect the consumer. Minimum standards should include but are not limited to testing, insurance, education and the forming of a home inspector bill.

The Association encourages the passage of HB 27 during the first session. We continue to be available as a resource to pass this bill. Please feel free to contact the Association at (907) 563-7133.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Brady', written over a horizontal line.

Bill Brady, CRS, GRI  
President





**ANCHORAGE BOARD  
OF REALTORS, INC.**

**REALTOR**™ *The Voice for Real Estate*™ In Anchorage

741 Sesame Street  
Suite #100  
Anchorage, Alaska 99503  
(907) 561-2338  
(907) 563-8476 Fax

January 16, 2001

**JAN 16 2001**

Representative Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

RE: HB 27 - Relating to the licensing of home inspections

Dear Representative Rokeberg,

The Anchorage Board of REALTORS with over 600 members statewide supports House Bill 27 relating to the licensing of home inspectors.

The Anchorage Board is in agreement with the Alaska Association that there should be minimum standards set forth for home inspectors to protect the consumer.

The Board encourages the passage of HB 27.

Sincerely,

Gary Gearhart  
President



**LESSMEIER & WINTERS**

LAWYERS - LLC

431 NORTH FRANKLIN STREET  
SUITE 400  
JUNEAU, ALASKA 99801-1186

MICHAEL L. LESSMEIER  
GREGORY W. LESSMEIER  
SHELDON E. WINTERS  
COLBY J. SMITH

TELEPHONE: (907) 586-5912  
FACSIMILE: (907) 463-3020  
E-MAIL: lw@gcl.net

February 2, 2001

Representative Norman Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

FEB 02 2001

Re: CSHB 27

Dear Representative Rokeberg:

I am writing to you on behalf of State Farm Insurance Companies. State Farm insures roughly 75,000 homes in Alaska. Creating a board of home inspectors and requiring licensure, registration and oversight of home inspectors will in a variety of ways only benefit home owners, prospective home purchasers, qualified home inspectors and the public in general. State Farm supports CSHB 27 and encourages its passage.

Sincerely,

LESSMEIER & WINTERS

By:   
Sheldon E. Winters



**WARD**  
Development  
& Construction Management  
INCORPORATED

April 18, 2002

*Worm*  
Dear Legislator:

It is my understanding that HB 27, licensing of home inspectors, will be heard on the House Floor today.

I would like to urge my support for this bill, given it's broad support within the affected industries. This piece of legislation has been in the works for several years and the version you see today is the product of hard work and compromise by the many parties involved.

Some may ask; is this a union issue? It is not. Labor should not be affected.

Others may ask; how will this affect the Third Party Alternative Inspector ordinance that is being introduced at the Anchorage Assembly? It will enhance it. If the Anchorage ordinance were adopted, those inspectors would be licensed and certified, which is good public policy.

I would be available to answer any questions on my cell phone at 229-8403.

Thank you for your support!

*Robin*

Robin E. Ward

**Approved**

Date: 3/19/02

Submitted by: Assemblymembers Von Gemmingen,  
Tesche, Taylor, Van Etten, Traini  
Prepared by: Department of Assembly  
For reading: March 19, 2002

**ANCHORAGE, ALASKA  
AR NO. 2002-93**

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING CS FOR HOUSE BILL NO. 27(JUD), "AN ACT RELATING TO THE LICENSURE AND REGISTRATION OF INDIVIDUALS WHO PERFORM HOME INSPECTIONS; RELATING TO HOME INSPECTION REQUIREMENTS FOR RESIDENTIAL LOANS PURCHASED OR APPROVED BY THE ALASKA HOUSING FINANCE CORPORATION; RELATING TO CIVIL ACTIONS BY AND AGAINST HOME INSPECTORS; AND PROVIDING FOR AN EFFECTIVE DATE."

WHEREAS, currently there is no State agency that oversees the home inspector industry and anyone can determine that he/she is a home inspector; and

WHEREAS, consumers throughout the State of Alaska desire and should have assurance that the home inspector they hire is competent, and that they have recourse against inspectors who are not; and

WHEREAS, faulty inspections could have serious consequences for consumers when purchasing or selling a home, and inspectors should and must be held accountable for their work; and

WHEREAS, representatives within the industry agree licensure for home inspectors is a worthwhile goal to establish a competency level that will protect the name of the profession and protect consumers from faulty inspections; and

WHEREAS, CSHB 27 (JUD) accomplishes this by establishing licensing qualifications such as registration, insurance, and proof of competency through the administration of a written and practical examination.

NOW, THEREFORE, the Anchorage Assembly resolves:

Section 1: That the Anchorage Assembly supports and urges passage of CSHB 27 (JUD) which will provide protection to consumers and the home inspection industry.

Section 2: That copies of this resolution be forwarded to the Governor and the Alaska State Legislature immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this \_\_\_\_\_ day of \_\_\_\_\_, 2002.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Municipal Clerk

EGJ/2002/RESOLUTIONS/AR29

MAR 21 2002

**Subject: House Bill 27 - Home Inspection Licensing**

**Date: Mon, 06 May 2002 16:14:53 -0800**

**From: Karen Crawford <housemaster@alaska.com>**

**Organization: HouseMaster**

**To: Representative Norman Rokeberg <Representative\_Norman\_Rokeberg@legis.state.ak.us>**

Representative Rokeberg:

As an active ASHI member and a long term home inspector I wish to add my encouragement for the passage of HB 27. We have waited too long to provide for inspector certification by the state. While the vocal minority will always find something in the bill to complain about it is my feeling that we must proceed with passage of the bill and work out the kinks should any arise. State certification is ongoing throughout the rest of the country and sooner or later will encompass the entire 50 states.

Only through a well thought out certification bill will we be able to achieve minimum standards for those people calling themselves home inspectors and thereby provide the home buying public with assurance of professional inspections.

The following ASHI members/ candidates support the passage of this legislation.

Don Sheppard Owner/President HouseMaster Home Inspection Service  
ASHI #118913, NIBI #65495RT, ICBO#0865225-55

Frank Sobottka Inspector ASHI #204775, NIBI135700RT, ICBO#5071485-55  
Mark Crawford Inspector ASHI Candidate, NIBI #141601RT

Gregg Russo Inspector ASHI Candidate

Sincerely,

Don Sheppard

**Subject: HB27**

**Date: Tue, 7 May 2002 02:33:01 EDT**

**From: Qualhome@aol.com**

**To: Representative\_Norman\_Rokeberg@legis.state.ak.us**

Representative Rokeburg,

My name is Kevin Jones and I am the owner operator of Quality Home Inspection Service in Anchorage. I wish to express my support for HB27 and would ask for your assistance and support in getting this very important consumer protection bill into law. It appears that only the negative responses are reaching the senates ears when the majority of home inspectors are supportive of this bill.

Currently in Alaska anyone with a 50 dollar business license can advertise themselves as home inspectors to the buying public without any background or experience in the principles of construction and building safety. I am a member of the American Society of Home Inspectors and currently hold the position of Alaska ASHI President. I am also a Certified Combination Dwelling Inspector through the International Conference of Building Officials (ICBO). In the state we have 19 members or candidates in the local Alaska ASHI chapter. Our organization requires passing the national home inspectors examination and having performed at least 250 fee paid inspections that conform to the Standards and Practice set forth by the organization. Additionally membership requires 20 continuing education credits for renewal every year. Certification from the ICBO required passing an examination on the knowledge of the Uniform Building Code, Uniform Mechanical Code, Uniform Plumbing Code, National Electric Code, International Residential Code, International Mechanical Code and the International Plumbing Code. The ICBO requires recertification by examination every three years.

As you can see the knowledge required to adequately and responsibly perform home inspections cannot be obtained with a 50 dollar bill and a business license. Home purchasing will likely be the single most important and costly decision the majority of consumers will ever make. In that regard the homebuying public deserves to have qualified and knowledgeable individuals representing them in the process of their home buying experience. With the price of homes today few people can ill afford to find costly defects existed after the fact, when a professional inspector could identify them prior to moving into the new home and allow the homebuyer to make knowledged decisions. It is only natural then that some sort of protection be in place to ensure that the individuals performing the inspections meet some established minimum standard/requirement of knowledge and experience.

This is where HB27 comes into effect. This bill has been around for almost two years and provides the consumer protection that everyone is entitled to. Again I would appreciate your help and support in gaining passage of this bill during the 2nd session. Thanks so much for your time.

Sincerely,

Kevin D Jones  
Quality Home Inspection Service  
333-1719  
Owner

**Subject:** [Fwd: hb27 reply]

**Date:** Tue, 30 Apr 2002 10:12:08 -0800

**From:** Heather Nobrega <Heather\_Nobrega@legis.state.ak.us>

**Organization:** Representative Norman Rokeberg, Alaska State House

**To:** Janet Seitz <Janet\_Seitz@legis.state.ak.us>

Ryan wrote:

> Dear Mr. Rokeberg,  
> I am a former professional builder, former consultant on codes and  
> energy codes in Wash, state. I am currently living in Homer, Alaska and  
> have become aware of hb27 and would like to give some feedback, as I'm  
> disabled and can't go to the phone office. Thank you so much for this  
> bill, a real necessity in the "assumed wild west." People are coming  
> into the State at record numbers, all thinking they can do anything they  
> want to, "they've got money". Inspectors and appraisers have for years  
> merely provided the reports that the person paying them requires. There  
> has been a total disregard for our energy codes, state building codes,  
> or federal law. Inspectors are telling sellers they have a choice  
> whether to disclose anything at all. We recently saw an example where  
> the seller paid for the inspection, didn't like it, hired another  
> inspector, didn't like that one and hired another. Inspectors need to be  
> hired by the borough, or state or totally private and independent. If  
> reports are truly written to meet the needs of the highest bidder, then  
> what's the use of a law. The bill addresses much of this and is really a  
> good bill, in my thinking. I do feel though that the criminal side of  
> this kind of "bait and switch" is not addressed adequately, penalties  
> need to be higher, liability carried should be much higher. The limits  
> you proposed would not cover errors that could literally be in the  
> hundreds of thousands. The home I mentioned is a good example, the older  
> folks buying it were gullible and too believing, but the owner when  
> asked why they didn't disclose, simply stated, "they didn't ask". They  
> shouldn't have to. They would have purchased the home, then discovered  
> how much did not meet code, needed to be repaired or completely rebuilt  
> . I know your bill is intended to address this, just thank you so much  
> from all in Alaska. I think this will be a very good bill for the people  
> of this state.  
> If I can be of any further help or provide you any other feedback,  
> please write back. Thank you again.  
> Jerry Migdal  
> Homer, Alaska 99603

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Committee Aide Alaska State House Judiciary Committee
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**HB**

**10**

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CS HB 10 (L&C)  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title An Act relating to health insurance BRU Centralized Admin Services  
for small businesses and non profits Component Retirement & Benefits  
 Sponsor Rep. Heinze and Rokeberg  
 Requester House Labor & Commerce Component No. 64

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Due to the adoption of a committee substitute by the House Labor & Commerce Committee, which no longer requires the involvement of the Commissioner of Administration, this bill will now have a zero fiscal impact.

Prepared by: Representative Tom Anderson Phone \_\_\_\_\_  
 Division Chair, House Labor & Commerce Committee Date/Time 4/11/03 4:00 PM  
 Approved by: Representative Tom Anderson Date 4/11/2003  
 Agency House Labor & Commerce Committee

23-LS0030\Q

Ford

4/11/03

**CS FOR HOUSE BILL NO. 10( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**

**Referred:**

**Sponsor(s): REPRESENTATIVES HEINZE AND ROKEBERG, Gara, McGuire, Hawker, Foster, Stevens, Wilson, Seaton, Weyhrauch, Moses, Kerttula, Gruenberg**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to pooling by employers for purposes of group health insurance; and**  
2 **providing for an effective date."**

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

4 **\* Section 1.** AS 21.54.060 is amended to read:

5 **Sec. 21.54.060. Group health insurance defined.** Group health insurance is  
6 that form of health insurance covering groups of persons as defined below, with or  
7 without one or more members of their families or one or more of their dependents, or  
8 covering one or more members of the families or one or more dependents of the  
9 groups of persons and issued upon the following basis:

10 (1) under a policy issued to an employer or trustees of a fund  
11 established by an employer, who shall be considered the policyholder, insuring  
12 employees of the employer for the benefit of persons other than the employer; in this  
13 paragraph the term "employees" includes the officers, managers, and employees of the  
14 employer, the individual proprietor or partner if the employer is an individual

1 proprietor or partnership, the officers, managers, and employees of subsidiary or  
2 affiliated corporations, the individual proprietors, partners, and employees of  
3 individuals and firms if the business of the employer and the individual or firm is  
4 under common control through stock ownership, contract, or otherwise; in this  
5 paragraph, "employees" may include retired employees; a policy issued to insure  
6 employees of a public body may provide that the term "employees" includes elected or  
7 appointed officials; the policy may provide that the term "employees" includes the  
8 trustees or their employees, or both, if their duties are principally connected with the  
9 trusteeship; a policy issued to insure employees of a corporation may provide that the  
10 term "employees" includes directors of the corporation, whether or not the directors  
11 receive compensation;

12 (2) under a policy issued to an association, including a labor union,  
13 that has a constitution and bylaws and that has been organized and is maintained in  
14 good faith for purposes other than that of obtaining insurance, insuring members,  
15 employees, or employees of members of the association for the benefit of persons  
16 other than the association or its officers or trustees; in this paragraph, the term  
17 "employees" may include retired employees;

18 (3) under a policy issued to the trustees of a fund established by two or  
19 more employers in the same or related industry or by one or more labor unions or by  
20 one or more employers and one or more labor unions or by an association as defined  
21 in (2) of this section, which trustees shall be considered the policyholder, to insure  
22 employees of the employers or members of the unions or of the association, or  
23 employees of members of the association, for the benefit of persons other than the  
24 employers or the unions or the association; in this paragraph, the term "employees"  
25 may include the officers, managers, and employees of the employer, and the individual  
26 proprietor or partners if the employer is an individual proprietor or partnership; in this  
27 paragraph, the term "employees" may include retired employees; the policy may  
28 provide that the term "employees" includes the trustees or their employees, or both, if  
29 their duties are principally connected with the trusteeship;

30 (4) under a policy issued to a person or organization to which a policy  
31 of group life insurance may be issued or delivered in this state to insure a class or

1 classes of individuals that could be insured under the group life policy;

2 (5) under a policy issued to cover any other substantially similar group  
3 that, in the discretion of the director, may be subject to the issuance of a group health  
4 insurance policy or contract;

5 (6) a group health insurance policy that contains provisions for the  
6 payment by the insurer of benefits for expenses incurred on account of hospital,  
7 nursing, medical, or surgical services for members of the family or dependents of a  
8 person in the insured group may provide for the continuation of the benefit provisions,  
9 or a part or parts of them, after the death of the person in the insured group;

10 (7) under a policy issued to an association of employers covering  
11 the employees and dependents of the employees; an association of employers  
12 under this paragraph shall comply with the following requirements:

13 (A) the association shall have a constitution and bylaws;

14 (B) the association shall be maintained in good faith for the  
15 benefit of persons other than the association or its officers or trustees;

16 (C) membership in the association shall be restricted to a  
17 large or small employer that is a resident of the state; however, an  
18 employer domiciled in another state may become a member of the  
19 association for purposes of obtaining coverage through the association  
20 only for the employees and dependents of the employees of that employer  
21 who are residents of this state;

22 (D) the association may not condition membership in the  
23 association or coverage under a health insurance policy issued to the  
24 association on any of the factors listed under AS 21.54.100(a).

25 \* Sec. 2. AS 21.56.120 is amended by adding a new subsection to read:

26 (e) In determining the premium rates for a small employer covered under an  
27 association health insurance policy authorized under AS 21.54.060(7), a small  
28 employer insurer may not use the claims experience of the small employer while the  
29 employer was covered under another health insurance policy and may use only that  
30 underwriting information obtained through the insurer's normal application process for  
31 new small employer groups that are not written under the association plan.

1

\* Sec. 3. This Act takes effect July 1, 2003.

# HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 21, 2003

FURTHER REFERRALS: HES

Date of Committee Action: April 11, 2003

The LABOR AND COMMERCE Committee considered:

HB 10

HOUSE BILL NO. 10

GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

"An Act amending the definition of group health insurance, and allowing the Department of Administration to obtain a policy or policies of group health care insurance for employers that are small businesses, nonprofit organizations, special services organizations, or small associations for insurance purposes; and providing for an effective date."

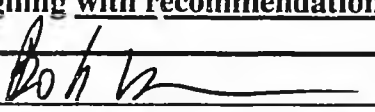
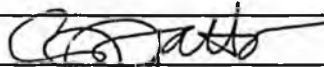
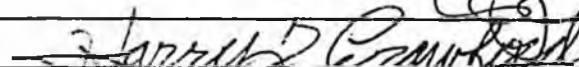
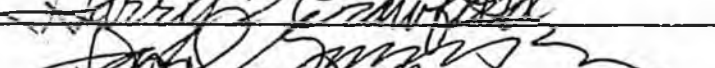
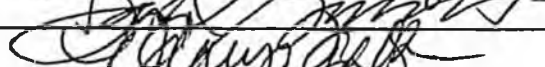
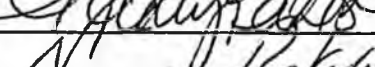
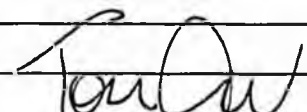
Recommends it be replaced with [ ] HCS or [] CS for HB 10 (LSC)  
 For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR \_\_\_\_\_ [ ] Same Title [] New Title

- [ ] attach amendments
- [ ] add new referral to \_\_\_\_\_ Committee
- [ ] Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for Depts.:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LAA  
 LAW  
 LWF  
 MVA  
 DNR  
 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
<u>ADM</u>				<input checked="" type="checkbox"/>

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	LYNN	<input checked="" type="checkbox"/>			
	GATTO	<input checked="" type="checkbox"/>			
	CRAWFORD			<input checked="" type="checkbox"/>	
	GUTTENBERG			<input checked="" type="checkbox"/>	
	DAHLSTROM	<input checked="" type="checkbox"/>			
	ROKEBERG	<input checked="" type="checkbox"/>			
Chair: 	ANDERSON	<input checked="" type="checkbox"/>			
Chair:					

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 10  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title An Act relating to health insurance BRU Centralized Admin Services  
for small businesses and non profits Component Retirement & Benefits  
 Sponsor Rep. Heinze and Rokeberg  
 Requester House Labor and Commerce Component No. 64

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	57.9	46.2	46.2	46.2	46.2	46.2
Travel						
Contractual	74.9	49.5	49.5	49.5	49.5	49.5
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>132.8</b>	<b>95.7</b>	<b>95.7</b>	<b>95.7</b>	<b>95.7</b>	<b>95.7</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	42.9					
1005 GF/Program Receipts						
1092 Mental Health Trust Receipts	89.9					
1017 Benefit System Receipts		95.7	95.7	95.7	95.7	95.7
<b>TOTAL</b>	<b>132.8</b>	<b>95.7</b>	<b>95.7</b>	<b>95.7</b>	<b>95.7</b>	<b>95.7</b>

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time	1	1	1	1	1	1
Part-time	1	1	1	1	1	1
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would authorize the Commissioner of Administration to procure a health insurance policy or policies for employees of small businesses, nonprofit organizations, and other small associations.

Start-up costs in the first year include surveying potential participants, developing a plan or plans to meet participant needs, writing a request for proposals to obtain an insurer or insurers to administer the plan, and a mass mail-out to invite those eligible to participate in the plan.

We anticipate the need for a permanent Retirement and Benefits Technician II, and a half-time clerical employee to assist with the survey and administer the enrollment. The Mental Health Trust Authority has agreed to provide funding for \$89.9 of the start-up costs and the following years would be funded by Benefit System Receipts from plan participants.

Prepared by: Guy Bell  
 Division: Retirement & Benefits  
 Approved by: Mike Miller  
 Agency: Department of Administration

Phone 465-2292  
 Date/Time February 24, 2003  
 Date February 24, 2003

# Alaska State Legislature

## House of Representatives



Official Business

State Capitol  
Juneau, AK. 99801-1182

**ADDITIONAL INFORMATION FOR HOUSE BILL 10**  
**From: Representatives Heinze & Rokeberg**  
**February 24, 2003**

**Additional Support Communications:**

- a. Railbelt Mental Health & Addictions
- b. Aron S. Wolf, M.D., MMM
- c. Kristi Beathe
- d. National Federation of Independent Business

**Communication of Opposition:**

- a. Alaska Association of Health Underwriters

## Railbelt Mental Health & Addictions

PO Box 159  
Nenana, Alaska 99760  
(907)832-5557 telephone  
(907)832-5564 fax

February 18, 2003

To: Representatives Heinze and Rokeberg

Re: HB 10

Dear Representatives Heinze and Rokeberg:

On behalf of Railbelt Mental Health & Addictions, I would like to endorse HB 10, which pertains to affordable healthcare insurance for smaller organizations.

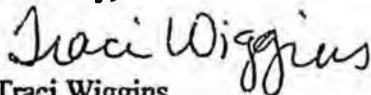
RMHA serves all people that reside between the Fairbanks North Star Borough and the Mat-Su Borough, which is roughly 130 miles of road, 3000+ people, and six distinct communities. RMHA has been in business since 1984, at which time it had only one employee. At this time, we have eleven employees and are affiliated with the City of Nenana in order to obtain affordable health insurance for our people. Since the agency serves several other communities, and since city business is often volatile, RMHA is finding that it is detrimental to our clients and to our agency to continue to be affiliated with the City of Nenana. As you may or may not know, many people experiencing mental illness or substance abuse often have a vehement distrust for government, and our affiliation with the City of Nenana has lead to many people not contacting this agency for services.

However, finding affordable health insurance for our employees is one of the main things that is holding us back from breaking away from the City of Nenana. At this time, we are able to finance quality health insurance for our employees through the City, since they have a bigger pool to draw on. When RMHA breaks away, our health insurance will, at minimum, triple in cost, forcing the agency to eliminate one position just to pay for the increase in cost.

A larger pool would help our non-profit agency immensely.

I urge everyone to support HB 10 in order to help support their local non-profit community mental health and substance abuse centers. The people that we serve are your friends, family, and neighbors.

Sincerely,

  
Traci Wiggins  
Executive Director

465-2040

HB10

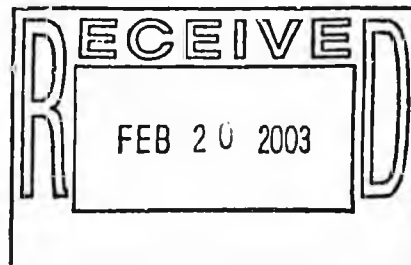
I would like to voice my support for HB 10 . The State of Alaska has been facing a significant issue with access to health care for a considerable number of Alaskans. As health insurance premiums have been rising, any number of small businesses and small non-profits have no longer been able to afford traditional health insurance for their employees. These employees are hard working Alaskans who are then forced to either forego medical care, pay for it out of their own pockets(if they can) or utilize the Emergency Departments of our hospitals. Partly because of this shift, the Emergency Departments of all of the hospitals have had to close and be on "divert" too much of the time.

The mechanism outlined in HB 10 will have a major impact on the ability of the covered entities and their employees and have a minimal impact on the state relative to budgetary requirements.

I would thus urge the legislature to approve HB 10 for innplementation

Aron S. Wolf M.D. MMM

Via e-mail from  
AWolf@prova.ki.org



**Subject: House Bill 10**

**Date: Thu, 13 Feb 2003 11:13:19 -0900**

**From: kristi and Richard Beathe <KandR@gci.net>**

**To: Representative\_Norman\_Rokeberg@legis.state.ak.us**

Representative Rokeberg,

I'm not one for writing to elected officials, but my husband and I are terribly interested in finding out anything we can about health insurance--if providing medical insurance help to the "mom and pop businesses" as mentioned in the AND News article ("Legislators Revive Bills on Insurance" Jan. 28, 03), might include the self-employed?

I know you've heard horror story after horror story about skyrocketing medical costs for the "little guy," but it's a very big reality for some of us. Our private major medical policy has gone from \$322 per month to nearly \$800 a month (for two very healthy over 50 adults) in two years. We're hanging on to insurance by a very thin wire and can't keep it up for much longer. Our deductible is \$10,000 and can't be lowered. Not fair, is it? It's even tougher keeping insurance coverage since we're a one income family. Please let us know if self-employed individuals in Alaska might qualify for help toward medical insurance, whether being able to join a large pool that would lower our costs, etc. It seems that there should be some way to lump most of the self-employed people into a general pool along with non-profit organizations, etc.

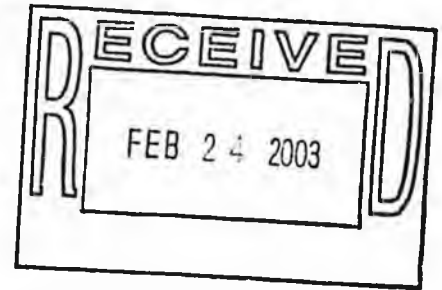
Thanks for the time,

Kristi Beathe  
6741 Pickwick Place  
Anchorage, AK 99504

KandR@gci.net



ALASKA



## Statement of Support

### House Bill 10

### Small Business Group Health Insurance

February 22, 2003

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state.

The legislative agenda of NFIB is determined by ballot. The ballot is our poll of members on a series of legislative and regulatory issues. NFIB/Alaska ballot results for 2003 showed strong support passage of legislation like House Bill 10. Following are the ballot results on this issue:

**Should legislation be passed to allow the state of Alaska to assist in forming a group of Alaskan small businesses and non-profits in order to obtain health insurance for employees?**

74% YES

21% NO

5% Undecided

NFIB members who are proponents of this legislation feel that forming a large insurance group will help spread the risk and bring down the cost of health insurance for small businesses and non-profits. Although the state would assist in creating the group, the legislation provides for private insurance companies, agents and brokers to bid on the policy or policies to be issued. The private sector is an important part of this proposal.

Since 1986, the cost of providing health insurance for employees has been the number one problem faced by small businesses. These businesses desperately want to offer health insurance to their employees but it is financially out of their reach. All efforts to bring down the cost of health insurance are important to small business.

### **NFIB/Alaska urges support for HB 10.**

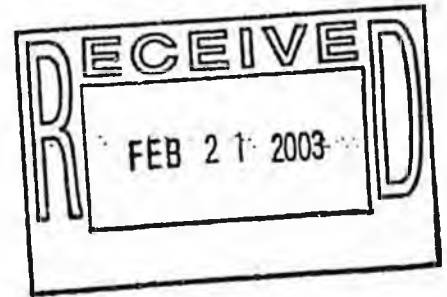
Submitted by Thyes Shaub on behalf of NFIB/Alaska.

**Subject: Concerns on HB 10**

**Date:** Thu, 13 Feb 2003 10:50:13 -0900

**From:** Jeff Gaylard <jgaylard.icl@alaska.com>

**To:** Pete Kott <representative\_pete\_kott@legis.state.ak.us>



Hi Pete,

Susan Fischetti told me that you wanted me to share some of our thoughts on HB 10.

I trust all is well with you and your family. I just want to let you know that Cindie and I place you in the highest esteem. When we first came to Alaska in 1992, you helped our family by getting us registered to vote and later helping my mother with the longevity bonus. I was not use to a politician being so involved with his community. I am glad that I have helped you during your campaign. I am also very proud of the work you are doing for our state.

Attached is a letter with some of our concerns on HB 10. This letter should help you get a better understanding. I would like to follow-up with you over the telephone to address some of your specific questions or concerns.

Also, I may have an opportunity to fly down to Juneau the first week of March to meet with you. It would mean a lot to me and the Alaska Association of Health Underwriters if you could carve out some time for me.

I hope to hear from you soon. My direct line is 907-263-1406. I hope we can schedule a time to talk soon.

Sincerely,

Jeff

Jeffrey N. Gaylard

ICL Financial Services

Registered Representative

Securities offered through Securian Financial

Services Inc., Member NASD/SPIC

ICL Financial Services is independently owned and operated

2550 Denali Street, Suite 1502, Anchorage, AK 99503-6818

(907) 279-9952 \* Fax (907) 279-6818

Dear Pete Kott,

The Alaska Association of Health Underwriters (AAHU) is a professional organization representing health insurance producers. Our members service the health insurance needs of thousands of Alaskan residents and businesses. We are sending this letter on behalf of our membership to outline our concerns with H.B. 10, which was introduced recently by Representatives Heinze and Rokeberg.

As section one of this legislation indicates, the private small group health insurance market in Alaska has been shrinking in recent years and it is becoming harder and harder for small businesses in the state to obtain high-quality affordable health insurance coverage for their employees. AAHU is very concerned about this growing problem, and we would welcome the opportunity to work with the legislature on proactive means to address it. However, we are very concerned that H.B. 10, while well intentioned, would actually further hinder the private health insurance market in the state rather than help it grow.

H.B. 10 would put the state in direct competition with the small group health insurance market, and would represent a significant and disturbing expansion of the role of government in health care. There is no reason to believe that the state could do a better job at creating, marketing and administering health insurance products than what is currently being done by the private market. If the state begins to compete with the existing small group carriers, some may elect to leave the state due a decrease in business. Carriers that do not leave will have fewer incentives to try and implement innovative solutions to cut costs and meet their client's needs. Creating this type of market climate will also make it even more difficult to find new private carriers to enter Alaska's small group market.

AAHU is also concerned that H.B. 10 will not actually create a cost-savings environment for those entities that decide to join a state-run health insurance purchasing pool. Entities that already are experiencing affordable rates in the private market, due to low loss ratios, will not be interested in joining the pool. However, unhealthy small employer groups with bad medical experience and high claims would flock to a state plan with low rates. These groups might initially benefit from lower rates, but eventually the state pool will be forced to react to the bad claims experience from these groups and increase premiums. Other states that have implemented such pools have found that rates for small businesses did not drop over time. Instead, they have remained the same or are higher than the traditional small group market.

Another reason why pools have not saved small businesses money in other states is that all of the other factors that are increasing the cost of health care nation-wide do not go away when a pool like the one outlined in H.B. 10 is created. Provider costs, pharmaceutical costs, mandates, technology, increased utilization, an aging population, and all other factors that impact the cost of health insurance will still apply to the pool. Furthermore, a pool of many small businesses is not considered to be actuarially the same as a giant-sized employer. Participants in the pool will still retain their same utilization and purchasing habits, which are typical of small businesses and impact costs accordingly.

We also feel that the adverse effects H.B. 10 may have on private small group market competition will hurt many Alaska small businesses in the long run. Businesses who choose not to participate, such as businesses that already have low loss ratios, or businesses who would like to offer their employees different benefits than what are available under the pooling arrangement, will suffer from the decrease in health benefit plan options available from private carriers. Businesses that eventually decide to pull out of the state pool due to high rates caused by the adverse selection factor will also suffer from a lack of carriers.

In addition, AAHU is concerned that businesses that participate in the pool will lose the expertise of their private health insurance agents and brokers. Agents and brokers provide many Alaska small businesses with substantial health insurance purchasing assistance. Most small

businesses do not have human resources departments and agents and brokers provide these small businesses with valuable administrative service support. Agents and brokers also help their clients with claims processing and other benefit issues.

Finally, the lack of clarity in H.B. 10 raises a number of questions. First of all, there will be significant start-up and administrative costs to the state if a pool is created. Also, where will these funds come from? What assurances are there that this pool will be successful enough to justify these costs to Alaska taxpayers? Finally, have the risk profiles of the "qualified entities" that can obtain coverage under this bill been assessed, and have there been any studies done to determine the specific projected cost savings for Alaska small employers?

Other states that have tried similar pools have either seen them fail or have yet to experience a measurable degree of success. AAHU would like to work with the legislature in any way possible to help reduce health insurance costs for non-profits and small businesses and to promote great competition in the private insurance market. However, we feel that H.B. 10 may actually hurt the private market rather than help, causing higher health insurance rates for all individuals and businesses in the long-run.

Pete, I appreciate this opportunity to share these views on this important matter. If you have any questions, or would like further information, please do not hesitate to contact me at 907-263-1406.

Sincerely,

Jeffrey N. Gaylard

# Alaska State Legislature

## House of Representatives



Official Business

State Capitol  
Juneau, AK. 99801-1182

### MEMORANDUM

TO: Representative Tom Anderson, Chairman  
House Labor & Commerce Committee

FROM: Representative Cheryll Heinze *CH*  
Representative Norman Rokeberg *Norman Rokeberg/is*

DATE: February 18, 2003

RE: HB 10

We would request that you schedule HB 10 for a hearing before your committee.

Enclosed are:

1. HB 10
2. Proposed CS HB 10 (). The change is located on page 5, line 5, after "to" the following is inserted: "any funds, including the mental health trust settlement income account,"
3. Sponsor Statement
4. Sectional Analysis prepared by Legislative Legal Services
5. Selected information from the Division of Insurance 64<sup>th</sup> Annual Report
6. Selected information from the WEB site for the Division of Insurance concerning insurance consumer guide for health insurance
7. "Employees fear having to carry soaring health costs," *Juneau Empire*, 19 January 2003
8. "Insure Your Health: Support HB 315", *Anchorage Daily News Compass*, May 11, 2002
9. "Options Limited in Alaska", **ALASKA BUSINESS MONTHLY**, November 2001
10. March 25, 2002, GAO-2-536R State Small Group Health Insurance Markets
11. January 27, 2003, "Health Insurance: A cheap, easy way to expand affordable coverage", *Anchorage Daily News*, opinion

Representative Tom Anderson, Chairman  
February 18, 2003  
Page Two

12. May 7, 2002, memo from Lauree Hugonin, Alaska Network on Domestic Violence and Sexual Assault, regarding premium increases
13. April 23, 2002, information from Mary Rosenzweig, Executive Director, Substance Abuse Directors Association
14. Communications of support:
  - a. John Creed, January 27, 2003
  - b. Patrick Flynn, January 30, 2003
  - c. Debbie McCravey, Finance Manager, Southern Region EMS Council, Inc., January 29, 2003
  - d. Gwendolyn Lee, Executive Director, The Arc of Anchorage, Feb. 17, 2003
  - e. Pam Watts, Executive Director, Governor's Advisory Board on Alcoholism and Drug Abuse, Feb 13, 2003
  - f. Marguerite Stetson, AARP Alaska, Feb. 15, 2003
  - g. Mac Carter, Jan. 28, 2003
  - h. Richard Rainery, Executive Director, Alaska Mental Health Board, Feb. 18, 2003

We will provide additional letters of support as they are received.

Thank you for your consideration of this request.

23-LS0030V  
Craver  
2/12/03

**CS FOR HOUSE BILL NO. 10( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY**

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

**Sponsor(s): REPRESENTATIVES HEINZE, ROKEBERG, Gara, McGuire, Hawker, Foster, Stevens, Wilson, Seaton, Weyhrauch**

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

1 "An Act amending the definition of group health insurance, and allowing the  
2 Department of Administration to obtain a policy or policies of group health care  
3 insurance for employers that are small businesses, nonprofit organizations, special  
4 services organizations, or small associations for insurance purposes; and providing for  
5 an effective date."

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

7 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
8 to read:

9 **FINDINGS AND INTENT.** (a) The legislature has made the following findings  
10 regarding the facts that support a group insurance policy for qualified entities:

11 (1) the latest United States Census data indicate that 19 percent of Alaskans  
12 are uninsured;

13 (2) in 2000, about 700 companies were licensed to offer health insurance in

1 the state, about 250 companies wrote some form of health insurance in the state, and fewer  
2 than 114,000 Alaskans were covered under individual and group comprehensive health  
3 insurance policies written in the state;

4 (3) in 2000, 18 insurers wrote small employer health insurance in the state; 80  
5 percent of small group policies are written by three health insurers;

6 (4) small businesses are having problems finding and keeping adequate  
7 insurance coverage for employees;

8 (5) nonprofit and special services organizations are having problems finding  
9 and keeping adequate insurance coverage for employees;

10 (6) nonprofit and special services organizations provide many services that  
11 government cannot supply; and

12 (7) adequate and stable health insurance is important to Alaskans;

13 (b) It is the intent of the legislature that this Act assist in providing access to adequate  
14 and stable health insurance for small businesses, nonprofit organizations, and special services  
15 organizations.

16 (c) The Department of Administration, in procuring the policy or policies permitted  
17 by this Act, should explore all options, including preferred provider organizations and lower  
18 cost options such as limited benefit and high deductible coverage.

19 \* Sec. 2. AS 21.54.060 is amended by adding a new paragraph to read:

20 (7) under a policy or policies issued under AS 39.30.097.

21 \* Sec. 3. AS 39.30 is amended by adding a new section to read:

22 **Sec. 39.30.097. Procurement of group health care insurance policies for**  
23 **qualified entities.** (a) The department may obtain a health care insurance policy or  
24 policies to cover a group of qualified entities.

25 (b) In procuring a health care insurance policy or policies under this section,  
26 the commissioner of administration shall comply with the procedure for obtaining  
27 policies of insurance under AS 39.30.090(a)(4) and (5).

28 (c) A qualified entity is eligible for coverage under (a) of this section if the  
29 qualified entity

30 (1) submits a written request for registration to the department; and

31 (2) receives written confirmation from the commissioner of

1 administration that the qualified entity is registered to participate.

2 (d) The request for registration submitted by a qualified entity under (c) of this  
3 section must contain a statement certifying that the entity meets the definition of a  
4 qualified entity under this section and that the entity agrees to pay the required  
5 premiums to the insurance company. The owner, a principal, or another legally  
6 qualified representative of the entity shall sign the statement under penalty of unsworn  
7 falsification and fraud. The department shall register an entity that submits a request  
8 for registration and meets the requirements of this subsection. The department shall  
9 maintain a list of entities registered to participate under this section and shall make the  
10 list available for public inspection.

11 (e) The department may not procure benefits under this section by means of  
12 self-insurance.

13 (f) In this section,

14 (1) "association for insurance purposes" means an association

15 (A) composed of businesses or nonprofit organizations or both;

16 and

17 (B) organized and operating in Alaska;

18 (2) "business" means a business

19 (A) located in Alaska;

20 (B) organized under the relevant provisions of the Alaska  
21 Statutes; if the form of business is not required to be organized under a statute,  
22 then the sole proprietor or joint venturers who own the business must be  
23 Alaska residents; and

24 (C) that employed an average of at least two but not more than  
25 50 eligible employees on the business days during the preceding calendar year  
26 and employs at least two eligible employees on the first day of a health benefit  
27 plan;

28 (3) "department" means the Department of Administration;

29 (4) "employee" has the meaning given in AS 21.54.500;

30 (5) "health care insurance" has the meaning given in AS 21.12.050;

31 (6) "nonprofit organization" means a nonprofit corporation,

1 association, club, or society organized and operating in Alaska exclusively for  
2 charitable, religious, scientific, or educational purposes or for the promotion of social  
3 welfare and that has received an exemption from the payment of federal income tax;

4 (7) "policy" has the meaning given in AS 21.90.900;

5 (8) "qualified entity" means a business, nonprofit organization,  
6 association for insurance purposes, or special services organization;

7 (9) "special services organization" means an entity, corporation, or  
8 nonprofit organization organized and operating in Alaska that is

9 (A) an entity, including a sole proprietorship and a corporation  
10 solely owned by one person,

11 (i) operating a child care facility that is licensed under  
12 AS 14.37;

13 (ii) operating a residential child care facility, child  
14 placement agency, foster home, or maternity home that is licensed  
15 under AS 47.35;

16 (iii) operating an assisted living home that is licensed  
17 under AS 47.33;

18 (iv) operating a community-based center for adult day  
19 care as that term is defined in AS 47.65.290; or

20 (v) providing home care services as defined in  
21 AS 47.65.290;

22 (B) a corporation incorporated under AS 10.20 that

23 (i) receives state grants to provide services; or

24 (ii) makes grants to other corporations incorporated  
25 under AS 10.20 that receive state grants to provide services; or

26 (C) a nonprofit organization, regardless of whether  
27 incorporated, whose primary purpose is to provide assistance to disadvantaged  
28 classes or groups.

29 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31 INITIAL COST RECOVERY. The commissioner of administration shall recover the

1 initial administrative costs of procuring group health care insurance policies as provided in  
2 AS 39.30.097, added by sec. 3 of this Act, over a period of five years. The commissioner  
3 shall fairly allocate the administrative costs among the qualified entities seeking coverage  
4 under AS 39.30.097 based on the numbers of persons covered. The commissioner shall  
5 distribute the administrative costs recovered pro rata to any funds, including the mental health  
6 trust settlement income account, from which initial funding was made.

7 \* **Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).

# Alaska State Legislature

## House of Representatives



Official Business

State Capitol  
Juneau, AK. 99801-1182

### SPONSOR STATEMENT HOUSE BILL 10

**AN ACT AMENDING THE DEFINITION OF GROUP HEALTH INSURANCE, AND ALLOWING THE DEPARTMENT OF ADMINISTRATION TO OBTAIN A POLICY OR POLICIES OF GROUP HEALTH CARE INSURANCE FOR EMPLOYERS THAT ARE SMALL BUSINESSES, NONPROFIT ORGANIZATIONS, SPECIAL SERVICES ORGANIZATIONS, OR SMALL ASSOCIATIONS FOR INSURANCE PURPOSES AS A GROUP; AND PROVIDING FOR AN EFFECTIVE DATE.**

**By Representatives Cheryll Heinze and Norman Rokeberg**

**HB 10 would allow small businesses, nonprofit organizations, special services organization or small associations for insurance purposes to join a group health insurance plan arranged by the State. These entities could then health insurance coverage for their employees. The small business, nonprofit, or association would be responsible for the premiums due for the coverage of its employees.**

**In this legislation, association for insurance purposes and small businesses are defined as entities with at least two and no more than fifty employees. The association for insurance purposes must be organized and operating in Alaska and the small business must be located in Alaska and organized under the relevant Alaska Statutes. Non profit organizations are not limited in size by this legislation but they must be organized and operating in Alaska exclusively for charitable, religious, scientific, or educational purposes or for the promotion of social welfare and must have received an exemption from the payment of federal income tax. A special services organization is defined as an entity organized and operating in Alaska, including a sole proprietorship and a corporation solely owned by one person, that operates a licensed child care facility, residential child care facility, child placement agency, foster home, maternity home, assisted living home, community-based center for adult day care or an entity providing home care services as defined in statutes.**

**The entities described in this legislation often cannot afford to provide employees with adequate health insurance coverage. Additionally, the rising premium costs have caused many who are offering health insurance coverage to reduce coverage or eliminate it all together. According to the Division of Insurance, one health insurance provider writes one-half of the private health insurance policies and three providers write a large percentage of small employer policies. The intent of this bill is to provide quality health insurance by creating a large pool of covered lives, and generate more choice of coverage not a lower cost.**

**The State of Alaska would be a facilitator in this process. It would communicate with the entities described in the bill about what type of coverage(s) may be desired. It would then work with the insurance industry to gather proposals for a policy or policies to cover the group. The State would not be paying the cost of the insurance coverage and the participants would repay any necessary upfront costs over a five-year period.**

**We urge your support of this legislation.**

**ED01:02/14/03**

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 3, 2003

**SUBJECT:** Sectional analysis of HB 10 - group health insurance  
(Work Order No. 23-LS0030\H)

**TO:** Representative Cheryll Heinze  
Attn: Helen

**FROM:** Barbara R. Craver  
Legislative Counsel *BRC*

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. This is a section of uncodified law which expresses the findings in support of the bill.

Section 2. This section adds the type of group health insurance found in this bill to the list of types of group health insurance defined in AS 21.54.060.

Section 3. This section adds a new section to AS 39.30. Chapter 30 of Title 39 (Public Officers and Employees) is about insurance and supplemental employee benefits. Article 2 of that chapter is about group life and health insurance.

Subsections (a) and (b). These subsections allow the department of administration, which procures group insurance for state employees, to obtain a policy or policies for qualified entities using the same procedures it uses for state employees.

Subsection (c). A qualified entity must submit a written request to and receive a written confirmation from the department of administration that the entity is registered to be eligible for coverage under a policy obtained under this section.

Subsection (d). Provides details of how the department is to register qualified entities.

Subsection (e). The department may not self-insure for these benefits.

Subsection (f). Provides definitions for the terms used in this section.

(1) Defines an "association for insurance purposes" as one composed of Alaska businesses and nonprofit organizations.

(2) Defines "business" as one organized under Alaska law or owned by Alaska residents, and further limits this group to a business with at least two but not more than 50 employees.

(3) The department is the department of Administration.

(4) Employee has the meaning given in AS 21.54.500, the definitions used in Title 21 (Insurance), Chapter 54 (Health Insurance.) AS 21.54.500(8) provides "'employee" has the meaning given under 29 U.S.C. 1002(6) (Employee Retirement Income Security Act of 1974)."

(5) Health care insurance has the meaning given in AS 21.12.050, the definitions used in Title 21 (Insurance), Chapter 12 (Kinds of Insurance, Limits of Risk, and Reinsurance):

Sec. 21.12.050. Health and health care insurance defined. (a) Health insurance is insurance of human beings (1) against bodily injury, disablement, or death by accident or accidental means; (2) against the resulting expenses of the injury, disablement, or death; (3) against disablement or expense resulting from sickness or childbirth; (4) against expense incurred in prevention of sickness; (5) for dental care; and (6) including every insurance that applies to injury, disablement, or death. Transaction of health insurance includes disability insurance and stop-loss insurance but does not include workers' compensation insurance. Health care insurance described in (b) of this section is a type of health insurance under this subsection.

(b) Health care insurance means that part of health insurance that provides benefits for medical care whether provided directly, through reimbursement, or other method.

(c) In this section, "stop-loss insurance" means insurance purchased by a self-insured employer to cover benefits the employer incurs in excess of a preset limit.

(6) A nonprofit organization is defined as one organized and operating in Alaska which is exempt from federal income taxes.

(7) Policy has the meaning given in AS 21.90.900, the definitions used in Title 21 (Insurance):

"policy" means the written contract of or written agreement for or effecting insurance, by whatever name called, and includes all clauses, riders, endorsements, and papers attached to it and a part of it; for a group, trust, association, or similar entity, "policy" also means a certificate or other evidence of insurance that establishes the written contract of or written agreement for or effecting insurance for an insured or other beneficiary of the entity

(8) A qualified entity is described in one of four of the groups defined in this same subsection: a business, nonprofit organization, association for insurance purposes, or a special services organization.

(9) A special services organization is one of three type of organizations.

(A) An entity, including a single person operating as a sole proprietorship or a corporation owned by one person, that operates any one of a list of facilities providing social services.

(B) A corporation that receives or regrants state grants.

(C) A nonprofit organization to assist disadvantaged persons.

Section 4. This uncodified section provides for the recovery of the initial costs of procuring the policies over five years.

Section 5. This section provides for an immediate effective date.

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03-015.lmb



# STATE OF ALASKA

Department of Community and  
Economic Development

## DIVISION OF INSURANCE 64<sup>th</sup> ANNUAL REPORT

Calendar Year 2001 ♦ Fiscal Year 2002

# HIGH RISK HEALTH INSURANCE ASSOCIATIONS

## **ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION (CHIA) (Individual)**

CHIA was established by the legislature in 1992 to provide health insurance to Alaska residents who are unable to obtain health insurance in the private insurance market due to a health condition. In 1997 the eligibility requirements were modified to allow individuals who meet the federal rules for eligibility as established under the Health Insurance Portability and Accountability Act to obtain health insurance coverage through CHIA. CHIA provides a valuable benefit to Alaskans by providing health insurance to those who would otherwise be without health insurance coverage.

CHIA membership has been growing rapidly over the last few years. As of December 2001, there were about 440 participants. Aetna Insurance Company has provided all administrative services since the inception of CHIA.

Detailed information about CHIA including, eligibility requirements, premium rates, and application forms are available on the CHIA's website at [www.achia.com](http://www.achia.com).

## **SMALL EMPLOYER HEALTH REINSURANCE ASSOCIATION (SEHRA) (Insurers)**

In 1993 small employer health insurance market reforms were adopted in Alaska. The reforms included guaranteed issue to all small employers, restrictions on premium rate determination, guaranteed renewability of coverage, limitations on preexisting condition exclusions, development of basic and standard health plans to be offered all small employers, and establishment of the SEHRA to provide a mechanism for insurance companies selling small employer health insurance in Alaska to help spread the claim costs of high risk small employer groups. Unlike the CHIA, small employers do not purchase coverage through the SEHRA. Instead insurance companies that offer small employer health insurance in Alaska guarantee coverage to small employers.

The operation of the SEHRA should be invisible to small employers and individuals insured under small employer health insurance plans in Alaska, since it is risk-sharing mechanism for the insurance companies. Insurance companies pay a premium to the SEHRA and pay the first \$5,000 of claims in a calendar year. The remainder of the claims is paid by the SEHRA. SEHRA is funded by assessments to all insurance companies writing small employer health insurance in Alaska.

IX

Statistical  
& Financial  
Data

**2001 ALASKA HOSPITAL AND  
MEDICAL SERVICE CORPORATIONS  
(\$000)**

**PREMIUMS WRITTEN**

INSURER	COMPREHENSIVE		MEDICARE SUPPLEMENT	VISION ONLY	DENTAL ONLY	FEDERAL EMPLOYEES HEALTH PLAN	TOTAL
	Individual	Group					
PREMERA/ BLUE CROSS	15,353	183,269	1,597	0	0	48,535	248,754
ALASKA VISION	0	0	0	1,074	0	0	1,074

**PREMIUMS EARNED**

INSURER	COMPREHENSIVE		MEDICARE SUPPLEMENT	VISION ONLY	DENTAL ONLY	FEDERAL EMPLOYEES HEALTH PLAN	TOTAL
	Individual	Group					
PREMERA/ BLUE CROSS	15,269	164,247	1,573	0	0	48,966	250,055
ALASKA VISION	0	0	0	1,121	0	0	1,121

**CLAIMS INCURRED**

INSURER	COMPREHENSIVE		MEDICARE SUPPLEMENT	VISION ONLY	DENTAL ONLY	FEDERAL EMPLOYEES HEALTH PLAN	TOTAL	NUMBER OF SUBSCRIBERS*
	Individual	Group						
PREMERA/ BLUE CROSS	12,406	153,369	1,087	0	0	45,524	212,386	104,763
ALASKA VISION	0	0	0	919	0	0	919	19,187

\*Numbers not rounded to the nearest thousand.

# 2001 ALASKA ACCIDENT & HEALTH MARKET SHARE

## 01 - GROUP (\$000)

COMPANY NAME	PERCENT OF MARKET	DIRECT PREMIUMS WRITTEN
Aetna Life Ins Co	15.43	18,188
Principal Life Ins Co	15.28	18,011
United Healthcare Ins Co	10.03	11,823
Great West Life & Annuity Ins Co	6.22	7,329
Golden Rule ins Co	5.33	6,279
Unum Life Ins Co of Amer	5.23	6,166
United of Omaha Life Ins Co	4.34	5,115
Mega Life & Health Ins Co The	4.22	4,973
Guardian Life Ins Co of Amer	2.89	3,405
Hartford Life & Accident Ins Co	2.22	2,615
Safeco Life Ins Co	2.18	2,566
Stonebridge Life Ins Co	1.89	2,229
Standard Ins Co	1.79	2,104
States West Life Ins Co	1.48	1,748
Fortis Benefits Ins Co	1.47	1,733
Union Labor Life Ins Co	1.44	1,700
Metropolitan Life Ins Co	1.28	1,509
Life Ins Co of North Amer	1.23	1,451
Mutual of Omaha Ins Co	1.09	1,289
John Alden Life Ins Co	0.96	1,133
<hr/>		
TOTAL FOR TOP 20 RANKED INSURERS	86.01	101,367
TOTAL FOR ALL 151 INSURERS WRITING THIS LINE	100.00	117,859

## 02 - CREDIT (\$000)

COMPANY NAME	PERCENT OF MARKET	DIRECT PREMIUMS WRITTEN
Cuna Mut Ins Society	21.33	1,055
American Bankers Life Assur Co of FL	21.30	1,053
American Natl Ins Co	19.66	972
Union Security Life Ins Co	11.78	583
Minnesota Life Ins Co	9.82	486
North Central Life Ins Co	5.30	262
Resource Life Ins Co	4.77	236
Centurion Life Ins Co	2.25	111
Household Life Ins Co	1.01	50
Stonebridge Life Ins Co	0.73	36
Protective Life Ins Co	0.46	23
American Gen Assur Co	0.33	16
Life Investors Ins Co of Amer	0.31	15
Union Fidelity Life Ins Co	0.29	14
Associates Financial Life Ins Co	0.24	12
Allstate Life Ins Co	0.24	12
Balboa Life Ins Co	0.18	9
American Heritage Life Ins Co	0.11	5
USAA Life Ins Co	0.02	1
Central States H & L Co of Omaha	0.01	0
<hr/>		
TOTAL FOR TOP 20 RANKED INSURERS	100.14	4,952
TOTAL FOR ALL 30 INSURERS WRITING THIS LINE	100.00	4,945

# 2001 ALASKA ACCIDENT & HEALTH MARKET SHARE

## 9 - ALL OTHER (\$000)

COMPANY NAME	DIRECT PERCENT OF MARKET	PREMIUMS WRITTEN
American Family Life Asr Co Columbus	32.51	5,434
New York Life Ins Co	6.94	1,160
Physicians Mut Ins Co	4.49	750
Mutual of Omaha Ins Co	3.52	589
Unum Life Ins Co of Amer	3.31	553
Northwestern Mut Life Ins Co	3.17	530
Provident Life & Accident Ins Co	2.92	488
General Electric Capital Assur Co	2.87	481
Life Investors Ins Co of Amer	2.85	477
Golden Rule Ins Co	2.81	470
Paul Revere Life Ins Co	2.65	443
Colonial Life & Accident Ins Co	2.31	387
Guardian Life Ins Co of Amer	2.21	370
John Hancock Life Ins Co	1.77	296
Mony Life Ins Co	1.76	294
Equitable Life Assr Soc of The US	1.74	290
Continental General Ins Co	1.40	234
Conseco Senior Health Ins Co	1.38	230
USAA Life Ins Co	1.34	223
Bankers Life & Cas Co	0.89	149
<hr/>		
TOTAL FOR TOP 20 RANKED INSURERS	82.83	13,846
TOTAL FOR ALL 164 INSURERS WRITING THIS LINE	100.00	16,716

## 10 - TOTAL (\$000)

COMPANY NAME	DIRECT PERCENT OF MARKET	PREMIUMS WRITTEN
Aetna Life Ins Co	13.06	18,224
Principal Life Ins Co	12.98	18,104
United Healthcare Ins Co	8.44	11,823
Great West Life & Annuity Ins Co	5.26	7,342
Golden Rule Ins Co	4.84	6,749
Unum Life Ins Co of Amer	4.82	6,719
American Family Life Asr Co Columbus	3.90	5,438
United of Omaha Life Ins Co	3.67	5,115
Mega Life & Health Ins Co The	3.57	4,975
Guardian Life Ins Co of Amer	2.71	3,775
Hartford Life & Accident Ins Co	1.87	2,616
Safeco Life Ins Co	1.84	2,566
Stonebridge Life Ins Co	1.66	2,323
Standard Ins Co	1.51	2,112
Mutual of Omaha Ins Co	1.35	1,878
New York Life Ins Co	1.31	1,828
States West Life Ins Co	1.25	1,748
Fortis Benefits Ins Co	1.24	1,736
Union Labor Life Ins Co	1.22	1,704
Metropolitan Life Ins Co	1.14	1,590
<hr/>		
TOTAL FOR TOP 20 RANKED INSURERS	77.67	108,364
TOTAL FOR ALL 224 INSURERS WRITING THIS LINE	100.00	139,519

# HEALTH INSURANCE BY PRODUCT LINE

## INDIVIDUAL - CALENDAR YEAR 2001

PRODUCT	# POLICIES IN FORCE BEG OF YEAR	# INDIVIDUALS COVERED BEG OF YEAR	# NEW POLICIES ISSUED DURING THE YEAR	# INDIVIDUALS NEWLY ISSUED COVERAGE DURING THE YEAR	# POLICIES TERMINATED DURING THE YEAR	# COVERED INDIVIDUALS TERMINATED DURING THE YEAR	# POLICIES IN FORCE END OF YEAR	# INDIVIDUALS COVERED END OF YEAR	EARNED PREMIUM*	INCURRED CLAIMS*
	Accident	10,929	18,489	5,016	8,811	4,604	7,347	11,461	20,146	2,875,162
Comp MedPPO	5,163	9,308	725	1,320	461	991	5,427	9,637	15,268,979	12,405,798
Non-PPO	263	474	3	3	41	81	229	396	1,125,263	740,664
Dental PPO	0	0	0	0	0	0	0	0	0	0
Non-PPO	29	34	488	867	90	161	424	740	87,030	4,972
Disability Income	6,131	6,052	1,193	1,207	1,711	1,691	5,662	5,555	5,332,179	5,515,180
Hospital Expense	883	1,325	94	146	194	301	780	1,170	1,418,883	1,557,964
Hospital Indemnity	3,800	5,854	1,324	2,066	1,350	2,158	3,778	5,768	1,209,738	416,712
Limited Benefit	66	66	13	13	1	1	79	79	136,657	0
Long Term Care	1,072	1,103	578	593	55	61	1,593	1,648	2,196,447	509,619
Medical Expense	9	11	2	2	1	1	10	12	9,504	-8,426
Medicare Supplement	2,008	2,029	160	161	204	209	1,968	1,985	2,910,614	1,855,132
Specified Disease	4,658	9,053	2,341	4,103	1,320	2,500	5,703	10,690	1,823,060	693,468
Vision PPO	19	1,589	6	96	1	54	24	1,631	95,683	78,147
Non-PPO	0	0	0	0	0	0	0	0	0	0
All Other	2,976	6,083	1,279	2,465	1,112	2,149	3,143	6,399	476,293	108,310
<b>TOTAL</b>	<b>38,006</b>	<b>61,470</b>	<b>13,222</b>	<b>21,853</b>	<b>11,145</b>	<b>17,705</b>	<b>40,281</b>	<b>65,856</b>	<b>34,965,491</b>	<b>25,039,438</b>

Note: This health survey report was compiled from data provided by the companies. The Division of Insurance does not warrant the accuracy of this information.

# HEALTH INSURANCE BY PRODUCT LINE

## SMALL EMPLOYER (2-50) GROUP - CALENDAR YEAR 2001

PRODUCT	# POLICIES	# INDIVIDUALS	# NEW	# INDIVIDUALS	# POLICIES	# COVERED	# POLICIES	# INDIVIDUALS	EARNED PREMIUM*	INCURRED CLAIMS*
	BEG OF YEAR	BEG OF YEAR	POLICIES ISSUED DURING THE YEAR	NEWLY ISSUED COVERAGE DURING THE YEAR	TERMINATED DURING THE YEAR	INDIVIDUALS TERMINATED DURING THE YEAR	IN FORCE END OF YEAR	COVERED END OF YEAR		
ACCIDENT	667	30,471	60	883	171	2,748	549	28,340	797,445	543,312
COMP MED PPO	1,037	15,741	261	2,436	170	2,388	1,125	15,553	46,726,855	30,742,158
NON-PPO	706	9,271	82	994	199	2,430	578	7,621	20,701,431	16,793,964
DENTAL PPO	26	375	0	0	1	153	12	188	416,607	173,714
NON-PPO	598	10,914	63	1,948	128	2,634	547	10,570	4,319,411	2,320,548
DISABILITY INCOME	287	3,243	22	767	158	533	154	3,495	1,478,020	809,978
HOSPITAL EXPENSE	0	106	0	12	0	58	0	60	102,826	142,645
HOSPITAL INDEMNITY	0	69	0	12	0	42	0	39	5,987	2,652
LONG TERM CARE	0	8	3	4	0	1	3	11	6,264	0
MEDICAL EXPENSE	0	0	0	0	0	0	0	0	2	-1,444
MEDICARE SUPPLEMENT	0	0	0	0	0	0	0	0	0	0
SPECIFIED DISEASE	2	2	0	0	0	0	2	2	575	0
STOP LOSS	8	1,441	2	160	2	1,066	8	536	635,314	515,615
VISION PPO	13	19,879	8	6,398	2	8,579	17	17,700	1,031,686	852,661
NON-PPO	0	0	0	0	0	0	0	0	0	0
OTHER:	1	836	2	411	2	9	1	1,238	16,502	23,692
OTHER:										
<b>TOTAL</b>	<b>3,345</b>	<b>92,356</b>	<b>503</b>	<b>14,025</b>	<b>833</b>	<b>20,641</b>	<b>2,995</b>	<b>85,352</b>	<b>76,238,925</b>	<b>52,919,495</b>

Note: This health survey report was compiled from data provided by the companies. The Division of Insurance does not warrant the accuracy of this information.

**For Comprehensive Medical Insurance provide the following:**

1. Number claims processed during the reporting year	217,902
2. Number clean claims paid within 30 calendar days of receipt of claim	183,980
3. Number claims that were not clean, but for which notice was provided within 30 days of receipt of claim	17,760
3a. Number of these claims paid within 15 calendar days after receipt of information requested in the notice or within 30 days after receipt of initial claim	2,831
4. Number claims denied during the reporting year	22,962
5. Amount of interest paid during the reporting year due to late payment of claims	\$19.02

The following companies did not report, or reported incomplete information in this section but did report claims included in the Comprehensive Medical section of the annual report.

1. Aetna Life Insurance Company
2. Connecticut General Life Insurance Company
3. Conseco Life Insurance Company
4. ReliaStar Life Insurance Company
5. State Farm Mutual Auto Insurance Company

# HEALTH INSURANCE BY PRODUCT LINE

## ALL OTHER GROUP - CALENDAR YEAR 2001

PRODUCT	# POLICIES IN FORCE BEG OF YEAR	# INDIVIDUALS COVERED BEG OF YEAR	# NEW POLICIES ISSUED DURING THE YEAR	# INDIVIDUALS NEWLY ISSUED COVERAGE DURING THE YEAR	# POLICIES TERMINATED DURING THE YEAR	# COVERED INDIVIDUALS TERMINATED DURING THE YEAR	# POLICIES IN FORCE END OF YEAR	# INDIVIDUALS COVERED END OF YEAR	EARNED PREMIUM*	INCURRED CLAIMS*
	Accident	20,777	225,164	4,801	54,188	11,417	33,547	14,783	247,720	6,647,021
Comp Med PPO	529	87,863	74	20,298	213	16,169	391	92,239	202,114,765	180,938,503
NonPPO	1,129	23,903	638	4,853	448	7,315	1,340	21,665	23,606,010	19,770,713
Dental PPO	17	1,951	7	296	5	243	19	1,828	668,479	570,909
Non-PPO	300	23,068	234	2,896	119	16,012	420	10,235	2,176,630	1,956,380
Disability Income	385	53,579	63	19,397	51	10,368	396	58,104	13,766,960	7,552,946
Hospital Expense	0	0	0	0	0	0	0	0	0	0
Hospital Indemnity	3,612	15,830	665	2,092	810	1,926	3,816	16,361	2,236,007	920,233
Long Term Care	14	689	4	263	1	41	22	910	689,163	244,151
Medical Expense	58	81	1	1	31	44	28	38	40,135	10,300
Medicare Supplement	4,378	4,476	419	433	562	566	4,325	4,433	6,161,326	4,527,092
Specified Disease	1,110	2,630	455	1,119	220	335	1,710	4,037	331,468	82,431
Stop-Loss	151	91,180	22	26,560	29	11,744	144	106,324	18,542,140	15,344,562
Vision PPO	238	478	186	368	91	192	428	813	29,314	21,624
Non-PPO	8	13,673	1	256	3	9,760	6	4,169	170,020	134,221
All Other	41,165	20,496	48	3,846	82	40,940	177	23,858	759,055	488,651
Other: TriCare	3	714	0	196	1	153	2	763	109,981	149,815
<b>Total</b>	<b>73,874</b>	<b>565,795</b>	<b>7,618</b>	<b>137,062</b>	<b>14,083</b>	<b>149,355</b>	<b>28,008</b>	<b>593,498</b>	<b>278,048,472</b>	<b>236,854,957</b>

Note: This health survey report was compiled from data provided by the companies. The Division of Insurance does not warrant the accuracy of this information.

**For Comprehensive Medical Insurance provide the following:**

1. Number claims processed during the reporting year	1,445,461
2. Number clean claims paid within 30 calendar days of receipt of claim	1,123,662
3. Number claims that were not clean but for which notice was provided within 30 days of receipt of claim	107,951
3a. Number of these claims paid within 15 calendar days after receipt of information requested in the notice or within 30 days after receipt of initial claim	6,953
4. Number claims denied during the reporting year	182,226
5. Amount of interest paid during the reporting year due to late payment of claims	\$203.52

The following companies did not report, or reported incomplete information in this section but did report claims included in the Comprehensive Medical section of the annual report.

1. Aetna Life Insurance Company
2. Connecticut General Life Insurance Company
3. Conseco Life Insurance Company
4. ReliaStar Life Insurance Company
5. State Farm Mutual Auto Insurance Company



## Alaska Insurance Consumer Guide

### Health Insurance

Everyone runs the risk of becoming ill or suffering an accident that results in doctor or hospital bills, and sometimes in loss of income. Most Alaskans need protection from unexpected and sometimes devastating expenses associated with an illness or accident.

How do you choose from the hundreds of medical plans available? To wisely purchase medical care protection you must:

- Determine your family's needs
- Know the different types of protection available
- Choose a plan on the basis of coverage, costs, and services

Before buying a health insurance policy, know what insurance or other benefits you already have. This will help prevent duplicating coverage and will help you determine if you have enough coverage, inadequate coverage, or no coverage at all. Make sure you have up-to-date information on medical insurance, disability benefits, and sick leave benefits provided by your employer. Your first priority should be assuring that you have either a comprehensive major medical insurance policy or both basic medical insurance and supplemental major medical insurance.

### How Health Insurance Policies are Sold

#### Individual Insurance

An individual insurance policy provides coverage to a specific individual or to an individual and their family under a policy issued to that individual. In order to be considered for individual insurance coverage, you will be asked to provide evidence of insurability that may require you to undergo a medical examination. This is called medical underwriting. The same requirements would apply to any dependents you may insure under the policy.

#### Group Insurance

A group insurance policy provides coverage to individuals under a single master policy issued to the group policy owner. Certificates of insurance are provided to the individuals. The policy owner may be an employer, an association, a labor union, or other entity. Unless the group is small, no individual medical underwriting is performed. Instead, insurers require minimum employee or member participation levels and minimum employer contribution levels in order to assure that there are sufficient individuals in the group in good health to balance those in the group in poor health.

#### [Back to Consumer Guide Index of Topics](#)

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## Alaska Insurance Consumer Guide

### Considerations in Purchasing Health Insurance

Whether you have individual or group health insurance coverage, it is important to understand what your coverage is, and what charges you may be responsible for paying. Read your policy or certificate thoroughly and consider the following:

- What services and supplies are covered?
- What limits are set on the benefits for these services and supplies?
- What are the deductible, coinsurance and other charges you will be responsible for paying?
- How are benefit payments coordinated with other health coverage you may have?
- What are the managed care features and requirements of the plan?
- What level, type, and quality of service can be expected from the insurer?

#### [Back to Consumer Guide Index of Topics](#)

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## Alaska Insurance Consumer Guide

### Types of Health Insurance Plans

Following is a summary of several types of health insurance plans sold as group and individual health insurance. The actual health insurance benefits will vary from policy to policy. Therefore, it is important to read and understand your insurance contract. The term **provider** is commonly used in health insurance and in this guide to refer to physicians and other providers of medical care.

#### Basic Medical

A basic medical insurance policy provides coverage for basic hospital, provider and other services. There are limits placed on the benefits for covered services such as a limited number of hospital days, a maximum payment for each day of hospital confinement, or a surgical schedule where a specific payment maximum is established for each procedure. These benefits are provided without deductibles or coinsurance.

#### Supplemental Major Medical

Under a supplemental major medical policy, benefits are structured to supplement a basic medical insurance policy. The policy would pay for any covered services and supplies not covered by the basic medical insurance policy after the required deductible has been paid and subject to the coinsurance requirements. A basic medical policy in combination with a supplemental major medical policy results in coverage similar to a comprehensive major medical policy.

#### Comprehensive Major Medical

A comprehensive major medical policy provides coverage for almost all types of medical care services and supplies and has high benefit limits. These policies cover hospital, provider, and other services subject only to the required deductible, coinsurance, and benefit maximums. Unlike basic medical, individuals are required to share in the cost of their medical expenses. These policies have replaced most of the basic medical insurance policies.

#### Limited Benefit

Limited benefit plans are offered as independent, noncoordinated benefits provided under a separate policy and paid without regard to any other insurance plan. Examples of these types of plans include **hospital indemnity policies** that pay a fixed amount for each day of hospital confinement, and **specified or dread disease policies** that only pay for medical expenses associated with a specified disease (such as cancer or heart disease).

#### Long-Term Care

Long-term care insurance policies provide nursing home or home health care benefits for individuals with a prolonged physical illness, disability or mental disorder, medical condition, or a deficiency affecting activities of daily living or lifestyle. Benefits are provided as a reimbursement for services, but subject to a fixed dollar maximum per day. Usually a waiting period called an **elimination period** of 0, 30, 90, 180, or 360 days is required before the plan will pay benefits. Long-term care insurance may be available as a rider to a life insurance or annuity policy, as well as a separate health insurance policy.

#### Medicare Supplement

Medicare supplement (also called Medigap) insurance is sold to people age 65 and older and helps pay for medical costs that Medicare Parts A & B do not pay, such as the deductible and coinsurance amounts. Medicare supplement insurance is regulated by both state and federal laws. This coverage can only be provided through ten standard health plans that vary in the amount and type of coverage provided. Coverage is available to individuals without medical underwriting for six months following the date the individual first becomes eligible for Medicare Part B. The Division of Insurance produces, on an annual basis, a rate comparison guide that outlines the basic characteristics of Medicare supplement insurance, describes the ten standard health insurance plans, and shows the current premium rates charged by the insurers selling this insurance in Alaska. There is also a pamphlet entitled "Health Insurance for People with Medicare" produced by the 50 states and the federal government that summarizes the Medicare and Medicare supplement programs. Both publications are available from the Division of Senior Services, 3601 C Street, Suite 310, Anchorage, Alaska 99503, telephone number (907) 269-3680 or (800) 478-6065.

### **Dental Insurance**

Dental insurance covers costs associated with the care of teeth. Benefits for preventive services, such as cleanings and exams are generally limited to once every six months. Most plans contain coinsurance and deductible cost-sharing requirements. The coinsurance provisions will vary based on the type of procedure.

### **Vision Coverage**

Vision coverage provides benefits for glasses, contact lenses, and eye examinations up to a specified amount per year. Vision benefits are often subject to a set schedule of benefits and limits on the frequency of services. A typical vision plan covers the cost for one examination per year, with coverage for glasses and contact lenses limited to once every two years.

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## Alaska Insurance Consumer Guide

### Things to be Aware of Regarding Health Insurance Policies

#### Benefit Limits

- Most health insurance plans set a maximum benefit amount that will be provided for all covered services and supplies over the lifetime of the covered individual. This is called a **lifetime maximum**. This maximum is often set at \$1,000,000.
- Most health insurance plans set a maximum benefit amount that provides for particular services and supplies, such as a maximum benefit of \$250,000 for organ transplants.
- Some health insurance plans limit the benefit that will be provided per day for a covered service. This is called a **daily maximum**. They may also limit the number of days that a service will be covered. These types of limits are generally used for services including mental and nervous disorders, skilled nursing facilities, and home health care.
- Many health insurance plans limit the total benefit that will be provided per year for covered services. This is called an **annual maximum**. These limits are generally used for those services where it is difficult to assess whether the service is medically necessary.
- Most health insurance plans exclude or limit coverage for a period of time for medical conditions that existed within a certain period, commonly six months, prior to the date coverage began for which medical advice, diagnosis, care or treatment was recommended or received. This is called a **preexisting condition waiting period**. The waiting period is commonly 12 months. In most cases, insurance companies must reduce this waiting period by the number of days you were covered under prior health insurance plans, as long as you had no more than a 90-day break in your health insurance coverage.

#### Deductibles, Coinsurance, and Other Charges

- A **deductible** is a specified dollar amount an individual must pay in each policy period before reimbursement for expenses begin. The primary purpose of the deductible is to encourage individuals to use health care services only when necessary. A separate deductible may be required for specified services such as hospital admissions or prescription drugs. Some health plans may include a provision that allows any claims incurred in the last quarter of the policy period to be carried over and applied to meet the deductible in the next quarter.
- **Coinsurance** is that per-centage of covered services and supplies the insurer will pay for after the individual pays the de-ductible. The individual is responsible for the amount the insurer does not pay. A common coinsurance arrangement is for the insurer to pay 80% of charges for covered services and the individual 20%.
- **Out-of-pocket maximum** is the maximum dollar amount the individual pays for covered services and supplies during a specified period, generally a calendar year. This maximum may be defined to include or exclude the deductible. Once the out-of-pocket maximum is paid, benefits are paid at 100% of the costs incurred after that time.
- A **copayment** is the fixed dollar amount that the individual is required to pay at the time each covered service takes place. Copayments vary by type of service. They are commonly used with emergency services and prescription drugs.
- A **usual, customary and reasonable (UCR) charge** is an established maximum amount that an insurance company will reimburse for a medical expense covered under your health insurance policy. UCR charges are generally determined based on charges that are actually billed by providers for each medical procedure or service in a geographical area. In order to

determine a reasonable charge, UCR charges are commonly calculated as a percentile of the charges billed by providers. The percentile is generally set so that a large percentage, such as 80% or 90%, of charges actually billed by providers are reimbursable in full. Note that UCR charges are determined by each insurer and will vary.

- Under most health insurance plans, you will be responsible for paying any amount billed by a hospital or physician that is larger than the insurer's established UCR charges for the service or procedure. However, service corporations, such as Blue Cross, contract with various hospitals and providers who agree to accept the service corporation's payment as payment in full. Therefore you would not be responsible for paying any amount that exceeds their UCR charges, unless you chose to use a hospital or provider that does not have a contract with the service corporation.
- The following is an example of how the various charges described above impact the amount you may be responsible for paying for medical services:

The limits specified by your insurance policy:

Deductible	\$ 500
Coinsurance	80%
Out-of-pocket maximum	\$1,000

*Amount Insurer Owes:*

Charges billed by provider	\$4,200
Amount greater than the UCR for the procedure	-\$ 550
Amount you owe for your deductible	-\$ 500
Charges eligible for reimbursement by insurer	<u>\$3,150</u>
Insurer's coinsurance	80%
Amount insurer owes before out-of-pocket limit applied	\$2,520
Amount that is greater than your out-of-pocket limit	<u>\$ 130</u>
<b>Total amount insurer owes after out-of-pocket limit applied</b>	<b>\$2,650</b>

*Amount You Owe:*

Deductible	\$ 500
Coinsurance amount (20% of \$3,150)	\$ 630
Amount of eligible charges before out-of-pocket limit applied	<u>\$1,130</u>
Amount greater than your out-of-pocket limit	-\$ 130
Amount of eligible charges after out-of-pocket limit applied	\$1,000
Amount greater than the UCR for the procedure	\$ 550
<b>Total amount you owe</b>	<b><u>\$1,550</u></b>

**Covered Services and Supplies**

There are two basic categories of services and supplies covered by health insurance policies.

- **Hospital Benefits** include expenses associated with stays at hospitals and other covered facilities, such as skilled nursing facilities, nursing homes and outpatient surgery centers. Benefits for hospital services often require that the individual or their physician contact the insurer or the employer to obtain prior approval for the number of days of hospital stay. Without this approval the benefits may be reduced.
- **Physician or Provider Benefits** include services provided by licensed physicians and other medical providers.

There are a number of other charges and services generally excluded from coverage under most health insurance plans. Following are examples of common exclusions:

- Services determined by the insurer to be medically unnecessary
- Services considered experimental by an accepted medical authority
- Services related to cosmetic surgery
- Services for mental or nervous disorders, vision, hearing
- Services that are provided without charge
- Services provided due to war
- Services provided as a result of a work-related injury
- Services provided by a relative
- Services related to normal pregnancy and routine well-baby care (these are generally excluded from individual policies and included in group policies).

Alaska law mandates that the following specific charges or services be covered in health insurance plans sold in Alaska. These requirements do not apply to employers with self-insured health plans.

- Coverage for newly born or adopted children for at least 30 days, if coverage includes dependents
- Coverage for treatment of alcoholism or drug abuse
- Low-dose mammography screening if the contract covers mastectomies and prosthetic devices and reconstructive surgery
- Treatment of phenylketonuria
- Coverage for not less than 48 hours after vaginal birth and 96 hours after a cesarean birth, if the contract covers the costs of childbirth
- Coverage for prostate cancer screening and cervical cancer screening

### Coordination of Benefits

This provision applies to the situation where an individual is covered under two different health insurance plans. It is included in almost all group insurance plans. It requires that payments made under the two plans be coordinated so that the individual does not receive duplicate payments for a service, thereby being reimbursed more than what was spent. Duplicate coverage frequently occurs when an individual is covered under both their own and their spouse's insurance plans. Most coordination of benefits provisions require that the individual's own plan pay first on a claim, and the other plan only pay the amounts not covered by the first plan. It is important that this provision be reviewed so that misunderstandings can be avoided regarding the benefit payments each insurer will make.

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## Alaska Insurance Consumer Guide

### Managed Care

This is a common term today and there is no one generally accepted definition. For insurance companies, the term is often used to describe the many cost and care management features of health insurance plans. The most significant managed care feature of health insurance plans is **utilization review programs** that evaluate the appropriateness, necessity, and quality of health care provided to the policyholders. These programs include requirements (as described below) for hospital preadmission authorization, second surgical opinions, hospital stay reviews and planning, and case management. Utilization review is provided by nurses or physicians employed by or contracted with the insurer. Other examples of managed care features are centers of excellence, preferred provider arrangements, and prescription drug copayment plans.

#### Hospital Preadmission Authorization

Hospital preadmission authorization requires that the insured individual receive authorization to be admitted to a hospital in nonemergency cases. If the individual fails to receive prior authorization, benefits will be reduced.

#### Second Surgical Opinion

Second surgical opinion requirements provide that a second opinion by a different physician be given before certain surgeries are performed. The cost of the second opinion is covered at 100%. Requiring second surgical opinions is intended to eliminate unnecessary surgery and to encourage better use of health care services by individuals.

#### Case Management

Case management is used for individuals with high-cost illnesses such as cancer, heart disease, and diabetes. Usually a nurse employed by the insurer monitors the individual's treatment and helps develop a treatment plan to achieve the best outcome and the most cost effective use of health care services for the patient.

#### Concurrent Hospital Review and Discharge Planning Reviews

Concurrent hospital review and discharge planning reviews take place for any hospitalization, not just high cost illnesses, and involves monitoring the necessity of continued hospitalization. They are intended to ensure the individual stays in the hospital only as long as medically necessary and when discharged, receives appropriate care.

#### Centers of Excellence

Centers of excellence are specific providers selected by the insurer that provide fairly low volume, high risk procedures such as transplants and heart surgery at reduced costs. These providers have an expertise in the procedure, and therefore provide high quality care, with fewer complications and shorter hospital stays.

**Preferred provider arrangements** occur when insurers contract with hospitals and/or providers to provide services for a reduced cost. When policyholders are encouraged to use preferred providers, the providers gain from the additional patients directed to them. The policyholders and insurer gain because the providers will usually agree to a lower fee schedule for services rendered. Policyholders have the choice whether or not to use these preferred providers. It is often to the policyholder's

advantage to utilize the preferred providers, since lower deductibles and coinsurance payments will exist. In Alaska, insurers are prohibited from refusing to pay benefits for the use of nonpreferred providers.

### **Prescription Drug Copayment Plans**

Prescription drug copayment plans encourage the use of generic drugs, which can be as much as 50% less expensive than brand-name drugs. The individual will generally be required to make a higher copayment if they choose to use a brand-name drug when a generic version is available.

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## Alaska Insurance Consumer Guide

### Alaska Health Insurance Laws

#### Small Employer Health Insurance

Alaska Statute requires insurers who offer health insurance coverage to small employers in the state to offer each small employer (defined as those with 2-50 employees) all the health insurance plans that they offer to other small employers in the state regardless of the health or claims experience of the group. They must offer coverage to all eligible employees and not deny coverage to an employee. This law does not require an employer to purchase coverage for their employees. Alaska law also requires that insurance companies providing coverage to small employers adhere to certain rating restrictions including a maximum annual rate increase of 15% for poor group claims experience.

#### Large and Small Employer Health Insurance

According to Alaska law, insurance companies that offer health insurance coverage to large and small employer groups:

- May not base eligibility for coverage on health status, claims experience, medical history or condition, disability, receipt of health care, genetic information or any evidence of insurability.
- Must continue to renew the coverage, except in certain specified circumstances such as a failure to pay premiums
- May not require a preexisting condition waiting period that is longer than 12 months for a health condition that existed prior to the effective date of coverage which is called a preexisting condition waiting period. Pregnancy and genetic information cannot be considered preexisting conditions and therefore no waiting period may be applied.
- Must reduce any preexisting condition waiting period by the amount of time an individual was covered under prior health insurance coverage. However, the insurer is not required to reduce such a waiting period by any periods of health insurance coverage before a 90 day or more break in health insurance coverage. For example:
- An individual is covered under employer A's health insurance plan for 6 months before terminating coverage. The individual then terminates employment and is not covered under any health insurance plan for 100 days. The individual then becomes covered under employer B's health plan and remains covered for 5 months. The individual terminates employment and is not covered under any health insurance plan for 45 days. The individual then enrolls in employer C's health insurance plan which has a 12 month preexisting condition waiting period. Since the individual had a break in coverage of more than 90 days between employer A and employer B, the 6 months covered under employer A's health insurance plan are not used to reduce the 12 month preexisting condition waiting period. Therefore, only 5 months of coverage with employer B will be used to reduce the 12 month preexisting condition waiting period. Employer C's health insurance plan may only apply a 7-month waiting period (12 months – 5 months).

#### Comprehensive Health Insurance Association (CHIA)

In 1992, the Alaska legislature established a health insurance program for high-risk individuals. This law allows all individuals who have been refused coverage by at least two insurers, who have a specified medical condition, or who meet certain other criteria, to purchase coverage through the CHIA. Individuals who meet the state definition of a federally defined eligible individual can receive coverage through the CHIA without a waiting period. A federally defined eligible individual is an

individual whose most recent coverage was under a group health plan; who had at least 18 months of health insurance coverage; who has exhausted any available COBRA coverage; whose most recent coverage was not terminated due to nonpayment of premiums or fraud; who does not have other health insurance coverage; and who is not eligible for other coverage.

The premium rates for the program are set at 175% of the average standard risk rate for health insurance plans sold in Alaska with similar benefits.

For information on this program, contact the Division of Insurance in Anchorage at 1-800-467-8725 (in Alaska only) or 907-269-7900.

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## Alaska Insurance Consumer Guide

### Federal Laws Affecting Health Insurance

#### COBRA

COBRA is the federal law that requires employers to continue to provide their health insurance coverage to employees who have been laid off or terminated. The coverage may extend from 18 to 36 months. To obtain coverage under COBRA, the employee or their dependent must apply to the employer within 60 days of termination of their employment. The U.S. Department of Labor handles all inquiries regarding COBRA coverage. Inquiries should be sent to:

Office of Program Services  
Pension and Welfare  
Benefits Administration  
U.S. Department of Labor  
200 Constitution Ave., N.W.  
Washington, DC 20210  
(202) 219-8776

#### ERISA (Employee Retirement Income Security Act)

Many people who believe that they have a health insurance policy through their employer are actually covered under what is called a self-insured health plan. A **self-insured health plan** exists when an employer chooses to pay for medical bills directly, instead of purchasing insurance for that purpose. Most self-insured plans are regulated by the federal government through the Department of Labor under the authority of ERISA and are exempt from state regulation. Most large employers have self-insured health plans. The State of Alaska changed to a self-insured health plan for employees and retirees effective July 1, 1997.

Employers choosing to self-insure their health plans are not subject to state insurance laws such as benefit mandates, state premium taxes, capital and surplus requirements, and reserve requirements. They are also able to gain more control over their cash flow and have more freedom in determining benefits to be provided to their employees. Most employers with self-insured health plans purchase stop-loss insurance from insurance companies to protect themselves against large losses.

Employees who receive health coverage under a self-insured plan are not afforded the protections of state insurance laws and regulations. These protections include financial solvency requirements as well as requirements applying to the payment of claims. If a self-insured plan fails, Alaska benefits and managed care protections, such as standards for grievance procedures, fair disclosure of plan provisions, fair claims settlement practices and consumer services, are not available to employees. The federal laws governing these self-insured plans limit damages to actual costs and may not even cover attorney fees. Individuals covered under a self-insured plan must assume responsibility for all claims if the plan fails. Also, individual employees are required to obtain their own legal counsel to settle disputes, since the U.S. Department of Labor will not become involved in individual disputes over coverage. One other important consideration is that a self-insured employer may make material changes to the health plan (such as reducing or eliminating benefits) without providing advance notice.

#### HIPAA (Health Insurance Portability and Accountability Act of 1996)

This Act establishes federal standards for group and individual health insurance plans. The Act sets minimum standards for guaranteed renewability, preexisting condition waiting periods, and crediting for prior health insurance coverage. Alaska has enacted into law these federal standards which are

discussed in the health insurance sections of this guide.

### **Medical Savings Accounts**

Under this federal law a bank, insurance company, or other federally approved entity may set up an individual savings account called a Medical Savings Account (MSA) where you can set money aside to pay for qualified medical expenses. The deposits (called contributions) in the account are tax deductible. Qualified medical expenses are those expenses paid by you for medical care including any deductible and coinsurance payments. Medical Savings Accounts are regulated by the federal government, not the Alaska Division of Insurance. One advantage to establishing an MSA is that contributions are not subject to tax and qualified medical expenses paid out of the account are not included in gross income for federal income tax purposes.

In order for a savings account to qualify as an MSA, you must be covered by a high deductible health plan offered by a small employer (2-50 employees) or be self-employed and have purchased a high deductible health plan. A high deductible health plan is an individual health insurance policy with deductibles between \$1,500 and \$2,250 and out-of-pocket limit of \$3,000, or a family health insurance policy with deductibles between \$3,000 and \$4,500 and out-of-pocket limit of \$5,500. These high deductible health plans are regulated by the Division of Insurance in the same manner as other health insurance policies.

If you are seeking information on setting up an MSA account, the best place to start is by contacting your financial advisor or producers selling health insurance in Alaska. Producers should have knowledge of the high deductible plans that are available in Alaska and any MSAs that may be offered in conjunction with those plans.

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*Juneau*

# Employees fear having to carry soaring health costs

Rising premiums, co-pays likely to be growing part of labor negotiations

By THERESA ADOVINO  
THE ASSOCIATED PRESS

NEW YORK — George Idzkowski, one of 17,000 General Electric employees on picket lines this week, wants the increases in health insurance co-payments to stop.

"If we did nothing now, then they'll just try to increase health care costs again" when the next contract talks start again in the spring, he said. The 38-year-old father of three works at GE's plant in Schenectady, N.Y.

GE may well try anyway. Costs are set to mark another year of double-digit increases, and many employers continue to shift more of the burden to employees.

Labor strife is likely to continue, too. Workers at Hershey Foods Corp. went on strike for six weeks, largely over the issue of health care costs. This year will see an unusually large number of union contract expirations and rising premiums and co-pays are going to a central point of negotiations, said Rick Bank, director of the Center for Collective Bargaining at the AFL-CIO.

Some of the bigger talks involve about 300,000 auto workers; 40,000 fire industry workers and 85,000 telecommunications workers.

"Employers are becoming increasingly aggressive in their attempts to pass on costs to employees," said Bank. "The labor market is much looser than it has been in years and I think employers will take advantage of that to be very tough on the issue of health care."

According to Hewitt Associates, health care costs will leap 15.4 percent this year, after jumping 13.7 in 2002. Employees will be asked to shell out about 19 percent of the premium costs, up from 17 percent



TIM MOHR / THE ASSOCIATED PRESS

**Staying off the line:** Fred Neal, a worker at General Electric Co. Power Systems, leaves the IUE CWA union hall Tuesday in Schenectady, N.Y., on his way back to the picket line. Thousands of General Electric employees marched on picket lines across the country for two days this week because they feared GE would try to raise health care costs again during upcoming negotiations.

Hewitt consultant Ken Sperling... of two-to-one. Fifty-five percent of last year's health costs...

Employers are becoming increasingly aggressive in their attempts to pass on costs to employees. The labor market is much looser than it has been in years and I think employers will take advantage of that to be very tough on the issue of health care.

RICK BANK

AFL-CIO Center for Collective Bargaining

cent since 1999 and totaled \$1.4 billion in 2002. While profits rose 7 percent last year, health care costs rose 14 percent. GE said the recent changes will cost employees an average of \$200 a year.

"We don't like raising costs but our costs are going up," said GE spokesman Gary Sheffer. "We think we provide excellent benefits at a reasonable cost."

Segal Co. consultant Ed Kaplan said employers don't like to raise health care costs because it hurts morale, which in turn affects productivity.

"Today, more than ever, health care is a sensitive benefit and employers don't like to change it," Kaplan said.

But many see little choice. Myriad factors are driving up costs including: new expensive technologies and medications, pricier hospital and outpatient procedures, and consumer backlash against the most restrictive policies of managed care.

The problem is a lack of proven strategies to bring down costs.

"There is no silver bullet," Kaplan said.

Kaplan sees his clients trying to improve health plans' designs to better address employee needs. For example, he said, one client conducted an extensive audit to determine the specific

ees. The company negotiated better deals with orthopedic specialists and contracted experts to improve ergonomics at work stations.

Companies are also trying to push more of the costs onto those who choose to use more expensive products. Many companies are experimenting with tiered plans where employees pay more for having care at more expensive hospitals.

So-called consumer driven health plans are also becoming more popular, although they are not yet widespread. The plans provide employees with a set amount in a fund to pay for health needs. A single person might receive anywhere from \$500 to \$1,000 a year, a family double that. They are designed to encourage people to make better choices about their health care.

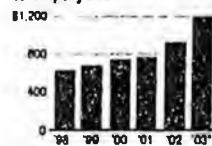
Once the fund is exhausted, a deductible — typically ranging from \$500 to \$2,500 for a single person and twice that for a family — is applied to any additional medical expenses. After the employee pays the deductible, a more traditional health insurance system kicks in where most of the expense, but not all, is paid by the employer.

Sterling says about 10 percent of his clients offer such a plan, an

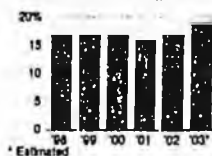
## Health care costs shift to employees

With the cost of health care rising, many employers have

Average health care cost to employees



Average employee contribution to health care



SOURCE: Hewitt Associates AP

Minneapolis-based Definity Health has seen its client roster swell to 58 from six in a little over a year, said chief marketing officer, Chris Delaney. He said clients renewing from last year will see their costs decline an average of 1 percent.

Under the new arrangement at GE, the co-payment rose from \$15 to \$25 for a visit to a specialist; from \$12 to \$18 for a drug prescription; from \$30 to \$50 for an emergency room visit, and from nothing at all to \$150 for a hospital stay.

Last year, Idzkowski's 23-month-old daughter had an abscess in her neck that twice required two surgeries and involved several visits to specialists. It cost him about \$350 — and would be significantly



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# OPINION

COMPASS: *Points of view from the community*

## Insure your health: Support HB 315

By JULIE DRAKE

For the past several months I have been working with Rep. Sharon Cissna on an issue that is very dear to my heart — affordable and accessible health insurance and health care for all Alaskans (all people, actually, but we've got to start somewhere). As the system works now, often the only way to have health insurance is to work for the government or a large corporation. My store, Title Wave Books, offers health insurance to its employees, but we are in the minority. Most small businesses do not — it is simply not affordable. Due to incredible rate increases, many nonprofit organizations cannot afford insurance either.

The effect of this is that Alaska is being separated along class lines — those who have health insurance (and thus health care) and those who do not. At the same time, Alaska's economy is becoming a service economy. Oil company and government jobs are losing ground to tourism and retail — traditionally lower paying jobs with fewer benefits. Outside, in economies such as Alaska's is becoming — think Aspen or Key West, for example — service workers get "priced out" of the very market they serve.

Look around at who serves you. Does your hairdresser have health insurance? Your favorite waitress? The guy who took your studded tires off last week? Your barista? Your therapist? Your bookseller? Contractor? Real estate agent? Chances are, they don't. And chances are if you were to ask them why



*Ask yourself this: How does it serve the community if we offer health insurance to a firefighter, for example, if we cannot offer it to the day-care worker who watches her children?*

not, they'd say they can't afford it.

And before you think, "tough, they should quit whining and just go get a job with better benefits," think about what Alaska would be without these people performing these duties. We cannot all work for government, big corporations, or the school district. There are many, many ways to serve the community.

Ask yourself this: How does it serve the community if we offer health insurance to a firefighter, for example, if we cannot offer it to the day-care worker who watches her children? What good can a well-insured teacher do in a classroom where kids may be hungry because their parents had to decide between purchasing food or a \$95 round of antibiotics?

When I set out to write this piece, I knew I'd be breaking a cardinal rule of small business: Never discuss politics in relation to your business. But then I thought "How can writing about something that could be so good for my community be bad for my business?"

There's another old business adage that applies here: What's good for people is good for business. If tourism is good for

Alaska's economy, then so is supporting tourism workers. If Alaska's economy is growing due to the service sector, then we need to support service workers. Providing equal access to health insurance and health care can only be beneficial for Alaska.

The good news is that Norm Rokeberg and Sharon Cissna have sponsored a bill — HB 315 — that allows small businesses and nonprofits to band together into one large pool to buy group health insurance. This will make it much more affordable and offer greater accessibility to all Alaskans, no matter where they work. I'm so excited that this bill passed the House on May 7. It goes to the Senate next, and this is where I'm asking for your help.

Please contact your senator and tell them you support HB 315. The legislative session ends soon, so please do not procrastinate. Legislative contact information can be found at [www.legis.state.ak.us](http://www.legis.state.ak.us).

Thank you. Thank you. Thank you.

Julie Drake is co-owner of Title Wave Books in Anchorage.



Clark James Michler

## Options Limited in Alaska

BY DEBORAH J. MYERS

**Health insurance costs are rising, but employers benefit from providing quality insurance to employees.**

No matter what the economic situation is, employee retention helps your business save money. Considering the cost of attracting, screening and interviewing applicants, plus the expensive downtime and potential mistakes while training, you'll save money if you keep the people you have.

Naturally, it helps to offer employees pleasant working conditions and adequate pay. However, benefits play an important role in keeping the grass lush on your side of the fence, so your employees don't seek other, greener pastures.

According to the 2000 Health Confidence Survey conducted by the Employee Benefit Research Institute ([www.ebri.org](http://www.ebri.org)), only 12 percent of people surveyed who have employer-provided health insurance said that they were extremely satisfied with their health insurance. The other 88 percent of people surveyed apparently feel they could do a little better elsewhere.

As an employer, it's in your best interest to offer a good health insurance package. As for insurance companies, their numbers have dwindled considerably, narrowing options.

"We generally have dealt with a number of companies," said Rick Johnson, a broker with Baldwin Financial Concepts in Anchorage and a board member of the National Association of Health Underwriters. "Anthem Health and Life has left the state, as has Humana Employer's Health and Guardian. Aetna has closed its marketing office (in Alaska).

"Other carriers have come in and undercut everyone else and then left the market. That leaves a sour taste with brokers and employers," he said.

At present, Blue Cross/Blue Shield of Alaska, Aetna, Principal, Starmark, United Healthcare and Great West Life offer coverage within the state.

"Blue Cross/Blue Shield of Alaska has the biggest network," Johnson said, "and they boast a pretty wide variety of physicians. We have a couple of carriers doing an outstanding job up here, but I also see employers frustrated at paying a lot for insurance."

Some employers are going online in search of discount health care benefits, but the promised deals aren't always a bargain.

"There are some Internet companies

that do (provide insurance) from out of state," Johnson said. "I've been told by folks who have made inquiries that they're the same price or higher."

The basic plans available now are preferred provider options (PPOs) and indemnity plans.

**PREFERRED PROVIDER OPTIONS**  
PPOs are usually pretty inflexible. "(With PPOs), you're a little bit restricted on where you can go for care," Johnson said.

Employees must visit a care provider on a network list to receive full benefits. Depending upon the plan, visiting a doctor not on the list may reduce or eliminate the amount of coverage, leaving the employee to pay the difference out of pocket.

PPOs also offer advantages over the indemnity plan. A few PPOs require no deductible to pay before receiving coverage. The plan is less expensive for employers, according to Johnson.

"Generally, you can get a PPO plan and it's a reduction in premium for the employer," he said.

This also means a smaller premium for the employees, too. The cost of



Johnson

care is less as well. Employees pay only a small co-payment for each doctor or hospital visit, and/or they meet a small deductible.

"People with young employees like those plans," said Jim Dunlap, owner of the Dunlap Agency in Fairbanks. "Employees only pay a \$10 to \$15 co-pay."

The quality of care is also an important factor for employees who need frequent medical care.

"Some of the chronic care and disease management programs are starting to move into PPOs," said Jeff Davis, executive director and general manager of Blue Cross/Blue Shield of Alaska.

"In the long run, quality care is cost-effective care," he said. "Cost and quality have been the perennial challenges of health care. Simply having a low premium isn't helpful if it doesn't provide the coverage you need."

Another type of PPO is a "hospital-preferred-provider network," Davis said.

These plans provide emergency room and planned inpatient and outpatient coverage once the deductible has been paid.

Like indemnity plans, the deductible is usually about \$300 to \$500 with 80 percent paid after the deductible has been met, according to Davis.

#### INDEMNITY PLANS

Indemnity plans are about as popular as PPOs, according to Johnson of Baldwin Financial Concepts. "Fifty percent of my clients are on indemnity plans," he said.

Indemnity plans require employees

to pay a deductible before receiving care. Employees who seldom require care may feel like they are paying for something they never use; however, if they do get seriously ill or injured, at least they have coverage. The benefits are more like fire insurance. You may never use it, but it's good to know it's there for you.

Indemnity plans also usually require employees to answer health questions, such as the occurrence of high blood pressure, cancer or diabetes in their family health history.

The good news is that indemnity plans are very flexible.

Indemnity plans let employees pick where they receive care and coverage is usually at a certain percentage once the deductible has been paid.

"There is a tremendous contingent of employers and employees who say they want to go where they want," Johnson said.

#### A THIRD CHOICE

Sometimes PPOs or indemnity plans don't fit into employers' budgets.

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Photo courtesy of Dunlap Agency

Dunlap

"For businesses that don't offer group insurance, there is another option for employees," Davis said. "Namely, individual coverage."

Many make this decision because of rate increases, according to Johnson.

"They feel like they're being pressed," he said. "They don't feel like they can afford to pick up the rate increases."

Although rate increases are getting smaller (some are less than one percent, Johnson said), many smaller employers still feel the pinch.

Some employers who cancel company plans are still helping their employees with the cost of health insurance. They offer stipends to be applied toward individual coverage. Known loosely as cafeteria plans, employers pay a certain amount directly to the employees for their own use.

"There's a trend toward providing a basic benefit of so many dollars you can spend," Johnson said. "That's the trend of the future."

This leaves the decision and plan management up to the employees. Plans can include health, dental, life, vision or prescription drug coverage from various insurance companies. Like a mess hall, employees can pick and choose from a variety of options. In this way, the stipend scenario is like a formal cafeteria plan.

Unfortunately, employees don't always appropriate the funds that way and the cost to employees is higher.

"Most employers (who end their group

plans) give their employees a couple hundred dollars and say, "You can spend it on insurance," said Johnson, "but most (employees) spend it elsewhere."

One reason for this may be out-of-pocket expense.

"The cost (to employees) is higher for individual insurance," Davis said. "There's no employer contribution to the premium and typically premiums are not tax-deductible."

Formal cafeteria plans, officially known as Section 125 plans, are offered through insurance agencies and allow employers to pay the employees' portion of the premium tax-exempt. Most insurance companies give this option to only sizable groups.

### ASSOCIATION PLANS

Some employers have tried to form larger groups by associating with other employers in the same field.

"We have a couple association plans," Johnson said, "such as the Alaska Bar Association."

By mixing employees from different firms into one group, the employees, employers and insurance companies can

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Davis

benefit by better service, lower rates and more dependable payments, respectively.

It sounds like a dream come true for many small employers; however, Johnson warns that it can get tricky to form associations.

"The insurance companies tend to shy away from (association plans)," he said. "The Alaska State Medical

Association (stipulates) that if we get together a certain number of employees, there are no restrictions, regardless of medical conditions."

In other words, for groups of fewer than 100, age and health questions can affect rates. If a company with 30 employees has a disproportionate number of employees over age 50, rates would be higher than a same-sized company comprised of 20 year olds.

Large employers with 100 or more receive a flat rate that does not vary because of the age and health conditions of the group. No matter who is added to or taken from the group, the rate remains the same as long as the group is large enough.

"The pool (of employees) in Alaska tends to be so small that if you want to come in with a guaranteed issue, the rates they initially set may not be correct because of medical conditions. Folks drop out of the plan because it's not cost effective."

There's no easy solution to the state's health care problems.

"If I had a crystal ball, I'd like to be able to solve this thing," Johnson said.

We need competition up here. There's almost a monopolistic situation with the carriers up here. They're overpriced and noncompetitive."

"There is a market here, if we had some insurance carriers who would come up and do business. We're so small compared to other states and it makes it awfully tough."

To cut costs, many carriers limit the types of plans available.

"We're 10 to 15 years behind the Lower 48 regarding network situations and managed care," Johnson said. "A lot of folks are leery about being restricted."

### NEW CHOICES?

Although Health Maintenance Organizations (HMOs) are nonexistent and unpopular in Alaska, promising changes are dawning on the health care horizon that will include some of their best qualities without the unattractive parts.

"Some of the most progressive companies nationwide are realizing that some services are linked with HMOs that don't have to be," Davis said. "You're starting to see clinical quality

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improvement programs. It make better for patients and improves quality of care."

Preventative care and screenings are becoming more popular, according to Davis.

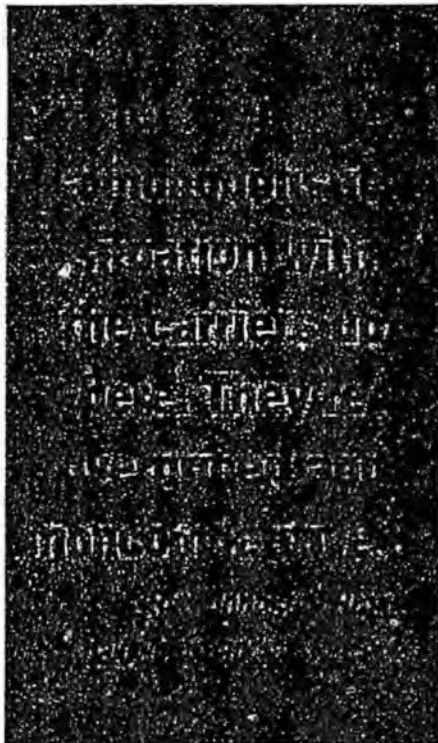
"This is becoming available to some of the more progressive plans without the referrals and expense traditional to HMOs," he said.

Preventative care includes cancer screening and diabetes testing, for example.

The type of health insurance plan you select can impact employees' decision to remain with the company or go elsewhere.

"Employers need to think about what employees value," Davis said. "The value of a local company makes a difference as does the access to and size of physicians' facilities. (Employees) need peace of mind from their health care coverage."

There's a simple way to find out what employees want: ask them. Objectively compare the plans you're considering



on paper, and ask employees to vote on the plan they prefer. Select the plan the majority chooses.

Obtaining good health care coverage for employees will probably not be easy for the near future; however, by listening to employees' needs, you can select a plan that will keep them happy and working for your company. □

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March 25, 2002

The Honorable Christopher “Kit” Bond  
Ranking Minority Member  
Committee on Small Business  
and Entrepreneurship  
United States Senate

Subject: *Private Health Insurance: Number and Market Share of Carriers in the Small Group Health Insurance Market*

Dear Senator Bond:

As a follow-up to our recent report to you on the small group health insurance market,<sup>1</sup> you requested additional information on each state and the District of Columbia. Specifically, you asked us to identify—for each state—the number of carriers<sup>2</sup> licensed in the small group market, the largest carriers, and their market share.

To obtain this information, we sent an electronic survey to the office responsible for regulating insurance and/or health plans in all 50 states and the District of Columbia (hereafter referred to as a state). We followed up with nonresponding states by e-mail and by telephone and received responses from 48 states. However, not all 48 states had the information needed to answer all of the questions. For example, 37 states reported the largest carrier and 34 states provided market share data. Also, the responding states varied in how they defined the size of a small group. Most—33—defined a small group as 2 to 50 employees, 11 defined a small group as 1 to 50 employees, and 4 had some other definition.<sup>3</sup> We did not verify the information provided by the states. We performed our work in February and March 2002 in accordance with generally accepted government auditing standards.

---

<sup>1</sup>U.S. General Accounting Office, *Private Health Insurance: Small Employers Continue to Face Challenges in Providing Coverage*, GAO-02-8 (Washington, D.C.: Oct. 31, 2001).

<sup>2</sup>A carrier is generally an entity (either an insurer or managed health care plan) that bears the risk for and administers a range of health benefit offerings.

<sup>3</sup>Arkansas defined a small group as 1 to 25 employees, Missouri as 3 to 25 employees, and New Hampshire as 1 to 100 employees. Hawaii does not separately define small groups for the purpose of health insurance.

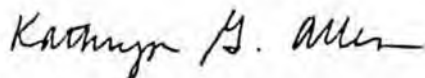
In summary:

- The median number of licensed carriers in the small group market per state was 28, with a range from 4 in Hawaii to 77 in Indiana.
- The median market share of the largest carrier was about 33 percent, with a range from about 14 percent in Texas to about 89 percent in North Dakota.
- The five largest carriers, when combined, represented three-quarters or more of the market in 19 of the 34 states supplying information, and they represented more than 90 percent in 7 of these states.
- Twenty-five of 37 states supplying information identified a Blue Cross and Blue Shield (BCBS) carrier as the largest carrier offering health insurance in the small group market, and in all but one of the remaining 12 states, a BCBS carrier was among the five largest.
- The median market share of all the BCBS carriers in the 34 states supplying information was about 34 percent, with a range from about 3 percent in Vermont to about 89 percent in North Dakota; in 9 of these states BCBS carriers combined for half or more of the market.

The enclosure summarizes by state the number of licensed carriers, the largest carrier and its market share, and the market share of the five largest carriers in the small group market. In addition, the enclosure shows the rank of the largest BCBS carrier and the combined market share of all BCBS carriers.

As agreed with your office, unless you publicly announce its contents earlier, we will not distribute this letter until 30 days after its date. Then we will make copies available upon request. This letter will also be available on GAO's home page at <http://www.gao.gov>. Please call me at (202) 512-7118 or John Licken at (202) 512-7043 if you have any questions. Major contributors to this correspondence include N. Rotimi Adebajo and Joseph Petko.

Sincerely yours,



Kathryn G. Allen  
Director, Health Care—Medicaid  
and Private Health Insurance Issues

Enclosure

**Table 1: Number of Carriers, Largest Carrier, and Market Share Data for Small Group Health Insurance Carriers, by State**

State	Number of licensed carriers	Largest carrier	Market share of largest carrier (percent)	Market share of five largest carriers (percent)	Rank of largest BCBS carrier	Market share of all BCBS carrier(s) (percent)
Alabama	10	BCBS of AL	87.4	93.8	1	87.4
Alaska	9	Premera Blue Cross	51.9	81.5	1	51.9
Arizona	53	United Healthcare of AZ, Inc.	24.5	66.9	2	20.8
California <sup>a</sup>	14 <sup>b</sup>	Blue Cross of California <sup>b</sup>	NA	NA	1 <sup>b</sup>	NA
Colorado	44	Employers Health	15.6	57.9	9	5.3
Connecticut <sup>c</sup>	47	Anthem BCBS of CT, Inc.	33.1	97.9	1	33.1
Delaware <sup>a</sup>	17	NA	NA	NA	NA	NA
District of Columbia <sup>a</sup>	9	NA	NA	NA	NA	NA
Florida	26	United Healthcare of FL, Inc.	21.6	64.6	2	26.9
Georgia	<sup>d</sup>	BCBS Health Care Plan of GA <sup>d</sup>	19.7 <sup>d</sup>	47.3 <sup>d</sup>	1 <sup>d</sup>	28.3 <sup>d</sup>
Hawaii <sup>a</sup>	4	NA	NA	NA	NA	NA
Idaho <sup>a</sup>	15	Regence Blue Shield	44.4	92.7	1	81.9
Illinois	36	NA	NA	NA	NA	NA
Indiana	77	Anthem Insurance Company	18.5	51.1	1	18.5
Iowa	54	Wellmark, Inc. <sup>e</sup>	46.5 <sup>e</sup>	76.7 <sup>e</sup>	1 <sup>e</sup>	52.8 <sup>e</sup>
Kansas <sup>a</sup>	35	BCBS of KS, Inc. <sup>f</sup>	NA	NA	1 <sup>f</sup>	NA
Kentucky	10	Anthem	43.7	89.2	1	43.7
Maine	13	Aetna US Healthcare	45.6	90.9	2	39.1
Maryland	18	CareFirst, Inc.	48.2	95.3	1	48.2
Massachusetts	24	HMO Blue	30.6	79.0	1	37.1
Michigan <sup>g</sup>	64	BCBS of MI	63.2	84.8	1	79.1
Minnesota	20	BCBSM, Inc. <sup>h</sup>	42.0 <sup>h</sup>	87.7 <sup>h</sup>	1 <sup>h</sup>	49.6 <sup>h</sup>
Missouri <sup>a</sup>	47	Healthy Alliance Life Ins. Company	18.9	51.8	1	32.2
Montana	<sup>i</sup>	BCBS of MT	40.8	78.0	1	40.8
Nebraska <sup>a</sup>	30	NA	NA	NA	NA	NA
New Hampshire <sup>a</sup>	9	Healthsource NH	40.0	75.2 <sup>j</sup>	2	35.2
New Jersey <sup>k</sup>	22	Horizon BCBS of NJ	30.1	84.4	1	46.0
New York	34 <sup>l</sup>	Oxford <sup>m</sup>	18.5 <sup>m</sup>	57.2 <sup>m</sup>	2 <sup>m</sup>	26.5 <sup>m</sup>
North Carolina	37	BCBS of NC	26.6	67.5	1	26.6
North Dakota	12	Noridian/BCBS	88.8	95.7	1	88.8
Ohio <sup>c</sup>	70	Anthem BCBS	32.6	66.4	1	32.6
Oklahoma <sup>a</sup>	64	Group Health Services of OK <sup>l</sup>	NA	NA	1 <sup>l</sup>	NA
Oregon <sup>a</sup>	13	Lifewise, A Premera Health Plan	22.7	73.7	3	23.1
South Carolina	54	PHP	31.4	72.8	2	25.4
South Dakota <sup>a</sup>	15	Wellmark BCBS of SD	28.6	60.3	1	28.6
Tennessee	59	BCBS of TN <sup>n</sup>	54.7 <sup>n</sup>	81.1 <sup>n</sup>	1 <sup>n</sup>	61.4 <sup>n</sup>

State	Number of licensed carriers	Largest carrier	Market share of largest carrier (percent)	Market share of five largest carriers (percent)	Rank of largest BCBS carrier	Market share of all BCBS carrier(s) (percent)
Texas	59 <sup>a</sup>	Employers Health Insurance Company	13.9	36.1	2	6.9
Utah	44	IHC Health Plans, Inc.	29.1	83.5	2	22.7
Vermont	6	MVP Health Plan	45.8	98.6	5	2.6
Virginia <sup>b</sup>	56	NA	NA	NA	NA	NA
Washington <sup>c</sup>	<sup>d</sup>	Premera Blue Cross	40.5	86.5	1	78.8
Wisconsin	64	United Healthcare of WI <sup>e</sup>	16.1 <sup>h</sup>	45.4 <sup>h</sup>	2 <sup>h</sup>	9.1 <sup>h</sup>
Wyoming	14	BCBS of WY <sup>f</sup>	38.5 <sup>n</sup>	55.1 <sup>n</sup>	1 <sup>n</sup>	38.5 <sup>n</sup>

NA = not available.

Notes: Reported data are for December 2000 unless otherwise noted.

Ranking and market share data are based on the number of covered lives unless otherwise noted.

Three states did not respond to the survey: Nevada, New Mexico, and Rhode Island. In addition, five states responded but did not provide data on small group carriers or on market share: Arkansas, Louisiana, Mississippi, Pennsylvania, and West Virginia.

<sup>a</sup>Data are for December 2001.

<sup>b</sup>Data only include carriers regulated by the California Department of Managed Health Care.

<sup>c</sup>Data are for December 1999.

<sup>d</sup>Georgia reported that there are no standard reporting sources on the number of carriers and the total number of covered lives in the small group market, but estimated the number of carriers at about 100 and estimated the total number of covered lives to be 500,000. We used the estimated number of covered lives to calculate rankings and market share.

<sup>e</sup>Ranking and market share calculation are based on the number of covered small employer groups.

<sup>f</sup>Ranking is based on gross premiums.

<sup>g</sup>Data are for March 2001.

<sup>h</sup>Ranking and market share calculation are based on gross premiums.

<sup>i</sup>A Montana official estimated 10 or fewer carriers had plans that were approved for the small group market.

<sup>j</sup>New Hampshire did not report data for the five largest carriers. Market share calculation is based on the data reported for the two largest carriers.

<sup>k</sup>Data are for September 2001.

<sup>l</sup>Data are for January 2002.

<sup>m</sup>Data are for January 2001.

<sup>n</sup>Ranking and market share calculation are based on the number of covered employees.

<sup>o</sup>Data are for November 2001.

<sup>p</sup>Data are for various time periods in 2000 and 2001.

<sup>q</sup>Washington reported that 16 state-based carriers and an unknown number of out-of-state carriers offer health insurance in the small group market.

Source: GAO survey of state insurance regulators.

(290170)

**ALASKA NETWORK ON  
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Juneau, Alaska 99801

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To: Representative Rokeberg  
From: Lauree Hugonin *LH*  
Date: 5/7/02  
Re: HB315

The Network fully supports HB315 and would like to bring to your attention the serious matter of rising health insurance costs faced by many of the community based victim service programs.

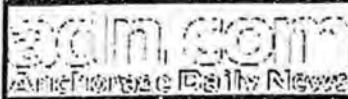
Health insurance is one of the few benefits that programs are able to provide their employees. We have moved from programs paying premiums for employees and their dependents to employees paying for dependent coverage to employees partially paying for their own premiums. We have tried to contain costs by pooling employees in an association plan and by raising deductibles and out of pocket expenses.

Our premium costs have risen 20% each year for the last two years in the association plan, and for those programs outside the plan rates have raised from between 40 and 70% for a total statewide increase of approximately \$524,000 since FY00. Programs have held positions vacant, actually cut staff, and reduced services to try and absorb the half million dollar increase.

This year, we have an initial rate estimate that raises rates over 38% for the association plan which translates into an almost \$1,000,000 increase statewide. As you are aware, victim service programs did not get new funding in the House FY03 budget and only a small proposed increase of \$50,000 in the Senate.

Explanations for the increases have included the region in which Alaska is classified, the size of our employee pool (we have about 100 participants), and claims experience.

Since community based victim services receive state dollars to provide shelter and advocacy for victims of domestic violence and sexual assault, it makes sense to be included in a pool sponsored by the state to try and curb the rising costs of health insurance. We want as many public dollars as possible to go to direct services while maintaining a basic health care benefit for our employees.



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**Opinion**

(Published: January 27, 2003)

**Round and round table**

**A new economic task force? Sounds like more table talk**

It's good that Kevin Bruce will take over some of Dennis Fradley's duties as external communications director for Mayor George Wuerch. This will give him something to do besides what the mayor first tapped him for, assembling a business round table to explore economic development opportunities in Anchorage.

There's nothing unusual in the round-table assignment. But we have to wonder whether there's anything useful. Why do we need to do this?

We already have the Anchorage Economic Development Corp. We have an active, engaged Anchorage Chamber of Commerce. Business people in the community already know how to talk to one another.

There's no doubt Mr. Bruce can put together a knowledgeable group of leaders from the private and public sectors. As he pointed out, 15 years of running Northwest Strategies, a public relations and advertising firm, has put him in touch with business and government leaders throughout Anchorage and Alaska.

But what's the point?

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But what's the point.

Mr. Bruce said it's to "help the mayor discuss and enunciate economic strategies that are good for the city." We need a round table for that? When we have the AEDC and the chamber, and groups like Vision Anchorage and, on a statewide level, Alaska 20/20?

Mr. Bruce explained that the round table would break itself down into smaller groups to explore specific ideas and come up with ways for the city to encourage and enable economic development. He said that, yes, some members would be recruited from AEDC and other established groups but that the round table would try not to duplicate their work and would seek out some new blood.

Speaking for himself, he said he sees potential for economic growth in cargo operations at the airport, the building of a new convention center and further development of the Port of Anchorage.

Fine. But there's nothing new here and nothing that the AEDC or the chamber or some other entity already in place can't be working on. We don't need another venue for networking or another roundup of the usual suspects. We need substance.

In fairness, Mr. Bruce has just started. He said the round-table composition and marching orders will become clearer soon. But it's hard to see how another meeting will take us anywhere we haven't been.

**Health insurance**

**A cheap, easy way to expand affordable coverage**

Last year, the Alaska Legislature spurned an almost zero-cost way of helping small businesses and nonprofit groups get affordable health insurance. This year's Legislature shouldn't make the same mistake.

The idea, originally offered by Republican state Rep. Norm Rokeberg of Anchorage, is simple. It's called insurance pooling.

In general, the larger the pool of people insured, the less it costs for each person covered. In this case, the state would make it possible for small employers to band together and seek a common health insurance plan covering a large number of people at a lower rate.

Each employer would pay the full cost of coverage directly to the insurance company. The only cost to the state is for administering the pool -- processing applications from employers and soliciting companies, if any, that are willing to provide the insurance. Even

then, those administrative costs would eventually be repaid through a surcharge on the participants.

This year, Rep. Rokeberg has teamed with fellow Republicans Cheryl Heinze and Lesil McGuire and Democrat Les Gara, all of Anchorage, to pursue the idea (HB 10). It's a simple, cheap way to help small employers provide their workers with at least some degree of health coverage at a price they can afford. The Legislature ought to pass it promptly.

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### Theme music

Senate President Gene Therriault, commenting on part of Gov. Frank Murkowski's State of the State speech on Thursday, said it was "music to my ears."

Listening to the governor's speech, I kept hearing two lines of lyrics from Gordon Lightfoot's "Canadian Railroad Trilogy:"

"For they looked to the future and what did they see?

They saw an iron road a-running from the sea to the sea."

You didn't need music or even the television's sound on to tell who savored and who suffered as the governor spoke.

Senators Robin Taylor and Scott Ogan, Republicans of the hard right, nodded and smiled.

Democratic leaders Sen. Johnny Ellis and Rep. Ethan Berkowitz maintained dignity and decorum but still looked like two men about to be run over by a road grader.

"Canadian Railroad Trilogy" makes a good theme for this governor. But there's a caution: It's an old song.

-- Frank Gerjevic



Printer  
version



Email  
this story



## SUBSTANCE ABUSE DIRECTORS ASSOCIATION

### Fax Transmission

Date: April 23, 2002

To: Janet Seltz @ 465-2040

From: Mary Rosenzweig, Executive Director 

Subject: HB 315

Pages, including cover: 3

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Representative Rokeberg asked that I send the attached information about our health insurance premium experiences.

Thank you for working on this, please call if you have questions or would like us to provide specific support other than what we're already doing (letters and testimony at hearings).

**SUBSTANCE  
ABUSE  
DIRECTORS  
ASSOCIATION OF ALASKA, INC**

April 23, 2002

Representative Norm Rokeberg  
Alaska Capitol, Room 118  
Juneau, AK 99801

Dear Representative Rokeberg:

In follow-up to your comments yesterday in the House Labor and Commerce Committee on HB 315, I am forwarding information recently collected by my organization on the magnitude of health insurance premium increases within our service area. Alaska's state funded nonprofit substance abuse treatment programs have experienced significant increases in employee health insurance premiums over the past two years, and these increases, combined with flat or reduced funding from the state have put programs in a position of making decisions about staffing and feasibility of continuing to offer health benefits.

SADA recently surveyed its membership in an attempt to measure the magnitude of anecdotal reports of large increases in employee health insurance premiums. To date, 14 agencies have responded. What follows is a summary of the data we have collected; please keep in mind however that the numbers are expected to change somewhat as agencies continue to respond. I will be happy to provide an updated report if more agencies provide their data.

- Of the fourteen responding agencies, all but one offered health insurance for its employees. The one not offering insurance is the smallest and cited unaffordability as the reason.
- Of the thirteen offering health insurance, all reported increases between 2001 and 2002, and all but two reported increases between 2000 and 2001.
- Over a two year period, agencies have realized an average increase of 36.0 percent in per employee health insurance premiums. The degree of increase does not appear to be correlated to agency size.
- The average agency per employee annual premium has risen as follows:
  - 2000 - \$4,423
  - 2001 - \$5,298
  - 2002 - \$5,988
- Health insurance benefits are becoming an increasingly large part of an agency's overall operating budget, averaging:
  - 2000 - 5.8 percent of operating budget
  - 2001 - 6.5 percent of operating budget
  - 2002 - 7.6 percent of operating budget
- While premiums are increasing, the level of coverage is decreasing. Five of the thirteen agencies report increasing per person deductibles. Deductibles has increased on average as follows:
  - 2000 - \$300
  - 2001 - \$315
  - 2002 - \$408

● Page 2

April 23, 2002

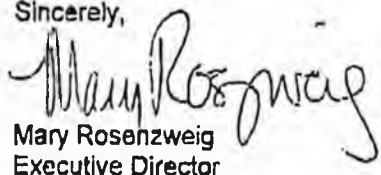
- Agencies report increasing prescription benefit costs and dropping some coverages such as dental, optical and prevention as mechanisms to contain premium increases.

The magnitude of these increases for the state funded substance abuse programs is particularly detrimental, as state funded programs have not been awarded any inflationary increases for their services in twelve years; and thus they are not able to absorb the increases and still provide the same level of services. While it is still premature in the survey to put a dollar figure on the increases, the agencies that have responded so far have reported nearly \$1 million in increases for the two years combined, covering employees for all agency services and funding sources. **It is our best estimate that across all state funded treatment programs, that portion of increases directly attributable to state purchased substance abuse treatment services for the 2002 fiscal year amounts to \$210,000.** An amount, I might add, that is significantly more than the \$132,800 fiscal note attached to HB 315.

Health insurance pooling has long been looked to as a mechanism to reduce and stabilize premiums; however, recent experiences with the United Way pool indicate that insurers are less than willing to provide that coverage. Through passage of legislation such as HB 315 our state nonprofit groups can tap into the state's buying power and continue to offer their employees a competitive health insurance benefit. While we fully recognize that, if passed, this pooling option will not provide top coverage for nothing, we do believe it will stabilize our premiums and insulate individual agencies from large increases should one employee within their group have a major medical event. And contrary to testimony provided by a representative of Blue Cross and Blue Shield of Alaska during the April 22 L&C hearing, many of our agencies are seeing large increases because of this, while only a few were affected by the United Way insurer pulling out of the state.

We commend you for pursuing this legislation, and urge you to continue your efforts to seek passage of HB 315 during the 2002 legislative session. Please feel free to call me about this; I can be reached at 770-2927.

Sincerely,



Mary Rosenzweig  
Executive Director

**Subject: A Sensible Bill**

**Date:** Mon, 27 Jan 2003 11:34:33 -0800

**From:** John Creed <zffc@uaf.edu>

**To:** Representative\_Norman\_Rokeberg@legis.state.ak.us

Dear Representative Rokeberg,

I saw the editorial below in the Anchorage Daily News this morning. I didn't realize you were trying to pursue this health-care issue (HB 10) during the last session of the legislature. It seems like a sensible and effective way to extend health insurance benefits to small businesses in Alaska. I commend you, and Reps. Lesil McGuire, Cheryl Heinz and Les Gara, for your foresight and understanding of this serious problem. Small businesses in many ways are the backbone of our economy and society. If you can help Alaska's small businesses attract a more stable, loyal workforce by allowing small businesses to band together to secure lower health insurance premiums for their employees, you will have accomplished a significant milestone in this critical issue for our state.

Personally, I believe that if as a society, citizens did not have to "worry" about health insurance, America could launch an era of entrepreneurship that could well be unprecedented in modern history. So many workers do not strike out on their own in business for one reason: health insurance, or lack thereof, and so they keep working for employers who can provide that safety net for themselves and their families. Who can blame them if one catastrophic health crisis can wipe a family out financially? So many hardworking citizens, I believe, would be more than willing to start and maintain small businesses if, first, they did not have to worry about health insurance for themselves and their loved ones, and second, if as the business grows they could grow an employee workforce without the too often prohibitive burden of providing astronomically priced health insurance to employees, which we all know is a huge factor in the long-term commitment to a particular employer.

Your and Reps. McGuire, Heinz and Gara's bill seems to recognize these realities while addressing a critical and growing problem in Alaska and throughout the country.

Thank you.

Sincerely,

John Creed  
Kotzebue

Jan. 27, 2003

### **Health insurance**

#### **A cheap, easy way to expand affordable coverage**

Last year, the Alaska Legislature spurned an almost zero-cost way of helping small businesses and nonprofit groups get affordable health insurance. This year's Legislature shouldn't make the same mistake.

The idea, originally offered by Republican state Rep. Norm Rokeberg of Anchorage, is simple. It's called insurance pooling.

In general, the larger the pool of people insured, the less it costs for each person covered. In this

case, the state would make it possible for small employers to band together and seek a common health insurance plan covering a large number of people at a lower rate.

Each employer would pay the full cost of coverage directly to the insurance company. The only cost to the state is for administering the pool -- processing applications from employers and soliciting companies, if any, that are willing to provide the insurance. Even then, those administrative costs would eventually be repaid through a surcharge on the participants.

This year, Rep. Rokeberg has teamed with fellow Republicans Cheryl Heinze and Lesil McGuire and Democrat Les Gara, all of Anchorage, to pursue the idea (HB 10). It's a simple, cheap way to help small employers provide their workers with at least some degree of health coverage at a price they can afford. The Legislature ought to pass it promptly.

**Subject: Support for HB 10**

**Date:** Thu, 13 Feb 2003 14:53:00 -0800 (PST)

**From:** Patrick Flynn <flatpynn@yahoo.com>

**To:** Janet Seitz <Janet\_Seitz@legis.state.ak.us>

The Honorable Norman Rokeberg  
The Honorable Cheryll Heinze  
The Honorable Lesil McGuire  
The Honorable Les Gara  
The Honorable Mike Hawker  
The Honorable Richard Foster  
The Honorable Gary Stevens  
The Honorable Peggy Wilson  
The Honorable Paul Seaton  
The Honorable Bruce Weyrauch  
Alaska State Representatives  
State Capitol  
Juneau, AK 99801-1182

Dear Representatives:

Thank you for sponsoring or co-sponsoring HB 10. I write in support of this legislation, which would allow the state to permit Alaska's non-profits (and others) to buy their health insurance through the state.

While I would not personally benefit from this legislation, I work with a lot of non-profit agencies and they've been hit very hard by huge premium increases - many have either laid off employees or cut health insurance benefits altogether. Because the state relies heavily on non-profits to provide many social services I believe it is important that we help these agencies in their time of need.

Thank you again for sponsorship of HB 10. Please let me know if I may answer questions or provide background.

Regards,

Patrick Flynn  
918 R Street  
Anchorage, AK 99501  
278-8462 (h)  
265-2695 (w)

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Do you Yahoo!?

Yahoo! Shopping - Send Flowers for Valentine's Day  
<http://shopping.yahoo.com>

**Subject: House Bill 10**

**Date: Wed, 29 Jan 2003 09:18:12 -0900**

**From: Debbie McCravey <dmccravey@sremsc.org>**

**Organization: SREMSC**

**To: "Heinze, Representative Cheryll" <Representative\_Cheryll\_Heinze@legis.state.ak.us>,  
"Rokeberg, Representative Norman" <Representative\_Norman\_Rokeberg@legis.state.ak.u**

Dear Representatives Heinze and Rokeberg,

I would like to thank you for introducing House Bill 10 early in the session. I will be very interested on the progress of this bill.

Our company is Southern Region EMS Council, Inc. We are a non-profit and operate on a grant through the DHSS/CHEMS. Our funding has been flat for the past 6 years and so the health insurance increases, along with other increases in costs, have really had an effect on our funding.

We employ ten people of whom eight are eligible for insurance. Two years ago we were forced to ask our employees to start contributing to the cost of the premiums to hold our costs within our grant budget. This has been devastating for the employee moral since this was truly the only real benefit we can offer our employees. We currently pay close to \$7,000 per month for health insurance.

Please let me know if there is anything I can do to help with your quest to get House Bill 10 passed. I could easily create a spreadsheet showing the premium increases we have suffered for the past several years. These increases have ranged from 10-43% and an annual basis.

Thank you,  
Debbie McCravey

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**Debbie McCravey <dmccravey@sremsc.org>**

**Finance Manager  
Southern Region EMS Council, Inc.**



**Subject: FW: HB 10 - health insurance**

**Date: Mon, 17 Feb 2003 09:35:59 -0900**

**From: Anita Wilson <Anita\_Wilson@AssetsInc.org>**

**To: "'Janet\_Seitz@legis.state.ak.us"' <Janet\_Seitz@legis.state.ak.us>**

-----Original Message-----

From: Gwen Lee [<mailto:glee@arc-anchorage.org>]

Sent: Monday, February 17, 2003 10:19 AM

To: Anita Wilson

Subject: RE: HB 10 - health insurance

Dear Anita,

Thank you so much for giving me the opportunity to add my urgent support to HB 10. As a non-profit organization serving individuals with disabilities we have experienced first hand the rising costs of health insurance. Our premium quote for 2003 increased 26% and we were forced to reduce coverage and ask our already poorly paid staff to contribute to the premium cost just to maintain coverage.

With a majority of our funding coming from Medicaid and state grants, there have not been increases sufficient to keep up with the uncontrollable increased costs in operating expenses such as health insurance and worker's compensation. If increases such as the ones we experienced this year continue, we will again be forced to reduce coverage and ask employees to contribute even more.

The impact on morale doesn't help us keep staff in a field that has high turnover and low wages in spite of the invaluable contribution our employees make in providing community support for individuals with disabilities. We support the efforts to be included in a larger pool of non-profits that could keep our health insurance costs reasonable and affordable enabling us to offer this important benefit to our staff.

Gwendolyn Lee

Executive Director

The Arc of Anchorage

-----Original Message-----

From: Anita Wilson [[mailto:Anita\\_Wilson@AssetsInc.org](mailto:Anita_Wilson@AssetsInc.org)]

Sent: Monday, February 17, 2003 8:34 AM

To: Amy Daugherty (E-mail); Andrew Campbell (E-mail); Barry Creighton (E-mail); Becky Achten (E-mail); Bess Clark (E-mail); Bill Hogan (E-mail); Brenda Knapp (E-mail); Brett Wilcox (E-mail); Bruce Allen (E-mail); Bruce Ruttenburg (E-mail); Camielle Call (E-mail); Charles Beck (E-mail); Chris Devlin (E-mail); Colleen McKenzie (E-mail); Cordova Charles V (E-mail); Dani Robson (E-mail); Darrell Kooley (E-mail); Dave Newell (E-mail); Deanna Captain (E-mail); Deborah Brownlow (E-mail); Deborah Northburg (E-mail); Dee Foster (E-mail); Dennis Hojna (E-mail); Diana Strzok (E-mail); Diane Pautz (E-mail); Diane Weber (E-mail); Dimitri Philemonof (E-mail); Donna Galbreath (E-mail); Doug Veit (E-mail); Dyan Bessette (E-mail); Edward Krause (E-mail); Elizabeth McMullan (E-mail); Emily Ennis (E-mail); Faye Nieto (E-mail); Fred Kopacz (E-mail); Gabe Duncan (E-mail); Gail Gladle (E-mail); George Kirchner (E-mail); Gwen Lee; James Shill (E-mail); Jan McGillivary (E-mail); Jerry Jenkins (E-mail); Jill Ramsey (E-mail); Jim Maley (E-mail); Joan Ribich (E-mail); Joe McCarty (E-mail); John McIntyre (E-mail); John Regitano (E-mail); Jon Lundy (E-mail); Jonathan Lewis (E-mail); Judy Houle (E-mail); Julia Hall (E-mail); Karen Nugen-Loga (E-mail); Katherine Gottlibe (E-mail); Kathryn Glenn (E-mail); Kathy Cannone (E-mail); Katsumi Kenaston (E-mail); Kemper Breeding (E-mail); Kevin Murphy (E-mail); Kevin O'Leary (E-mail); Krista Williams (E-mail); Leo Morgan (E-mail); Linda Tyone (E-mail); Lloyd Gathman (E-mail); Loyal Roupe (E-mail); Mark Nelles (E-mail); Mark Walker (E-mail); Maureen