

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SL&C 12625



Anchorage  
Police  
Department  
Employees  
Association

Phone (907) 561-7500  
PO Box 230330  
Anchorage, Alaska 99523  
500 West International Airport Road  
Anchorage, Alaska  
www.apdea.org

January 31, 2008


By way of introduction, I have been employed by the Anchorage Police Department since 1983. I am also the President of the Anchorage Police Department Employees Association, which represents Anchorage's rank-and-file police officers. The purpose of this letter is to endorse SB 153.

I am familiar with many police officers in the Anchorage Police Department and in other Departments across this State who have courageously served this Country in our military forces. Over the past several years, many of those officers who serve this Country in the National Guard and Reserves have been subjected to previously unheard of military deployments in foreign lands. Despite their loyal service, many will not be eligible to obtain federal retirement benefits.

It is from this perspective that I urge you to support SB 153, introduced by Senators Hollis French, Bettye Davis, Lesil McGuire, and Johnny Ellis. Currently, members of PERS may purchase up to five years of military time, out of their own pocket, as credit towards their retirement. Eligible employees may purchase this benefit only if they are not eligible for federal retirement benefits. Unfortunately, the purchased credit does not count towards major medical benefits eligibility. This Bill allows the purchased credit by police officers or firefighters to count towards their major medical insurance benefits.

This Bill provides support to those who have so nobly served our Country in the military. In addition, it is an incentive to military personnel to become police officers and firefighters continuing their service to our State. The importance of recruiting police officers is important because the ability to recruit qualified police officers is at critically low levels in our Country. Further, this Bill would help provide peace of mind to current police officers, firefighters and their families who serve our communities and our Country.

I urge you to vote for SB 153, and to support the ability of police officer and firefighters to purchase military credit that counts towards their major medical insurance benefits.

  
Everett Robbins  
President, APDEA

**Public Safety Employees Association, Inc.**  
***"Representing Alaska's Finest"***

**PSEA Position Paper**  
**In Support of SB 153**

The Public Safety Employees of Alaska extend our thanks to Senators Hollis French and Lesil McGuire for introducing SB 153. The bill will allow police officers and fire fighters who purchase military time for retirement service credit to receive credit toward retiree medical benefits.

Currently, fire fighters or police officers vested (five paid-up years of PERS service) in the Public Employees Retirement Plan are eligible to purchase and receive up to five years of PERS retirement credit for active military service in the U. S. Armed Forces. However, when one purchases military service time, one does not get to count the time purchased toward retiree medical benefits. Many who purchase time in this manner assume that it counts toward retiree medical benefits.

**Cost for claiming military service**

**Member's first eligible:**

- After December 1, 1986, will be charged 8.5% of their annualized vesting year salary for each year claimed.
- Before January 1, 1987, will be charged 6% of their 1976 annualized vesting year salary, whichever is later, for each year claimed.
- 7% interest will accrue until the indebtedness is completely paid.

Those who purchase military time do not double-dip, because members hired under the PERS after June 30, 1986 are not eligible for PERS military credit if they are retired from regular military service and are eligible for a federal benefit for that service. SB 153 will allow those who purchase military service time to receive credit in PERS with the understanding that the time purchased (up to five years) will count toward retiree medical benefits.

It is important to point out that this bill applies only to those hired under PERS Tiers II and III and does not allow members to retire with full benefits prior to 20 years of actual service. And, as stated earlier, the military time must be purchased by the member – it is not a free gift from the State.

Currently, public safety everywhere struggles to reach fully authorized strength. Passage of the bill will provide a slight recruiting incentive for those with military time and prior state service to consider employment as fire fighters or police officers. The incentive will open the recruitment door wider to those who have military service time and are a natural fit to serve as police officers and fire fighters.

The bill also demonstrates Alaska's commitment to freedoms we hold dear and appreciation to those who fight hard to preserve them. With President Bush's latest announcement that 20,000 plus military personnel will be coming home from over seas in the very near future Alaska should be prepared to effectively recruit such dedicated and trained individuals to our police and fire fighter ranks. They have demonstrated their commitment to us. It's time we show ours to them. Accessing medical benefits as provided in SB 153 upon completion of service as a police officer or fire fighter offers peace of mind to those who have risked their lives serving our country and do so now as members of public safety.

Support for this legislation sends a message to those who serve the public in a fire and police capacity that their military time will not go unnoticed nor unrewarded. PSEA encourages passage of SB 153.

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This Bill provides support to those who have so nobly served our Country in the military. In addition, it is an incentive to military personnel to become police officers and firefighters continuing their service to our State. The importance of recruiting police officers is important because the ability to recruit qualified police officers is at critically low levels in our Country. Further, this Bill would help provide peace of mind to current police officers, firefighters and their families who serve our communities and our Country.

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# Alaska State Legislature



Senator Hollis French

## SB 153 – Military Service Credit for Police Officer and Fire Fighter Retirement Medical Benefits

### *Sponsor Statement*

Current law allows a police officer or firefighter who has also served in the armed forces to count five years of military service towards their Public Employees Retirement System retirement, provided that two conditions are met. First, the employee must not be eligible for a federal retirement benefit and second, the employee must "buy" those military service years by paying for them.

The shortcoming with the current system is that the military years purchased towards a state retirement do not count towards qualifying for retiree medical benefits. Moreover, many of those who are buying in presume that they are getting just that coverage. Thus the need for SB 153. This legislation corrects what many with former military service assume when purchasing military time: that the time purchased will be credited to their medical benefits as well as their retirement.

This bill simply allows for the same purchase of years to count towards retirement and medical benefits.

The bill does not allow any double dipping because the potential state retiree must not be eligible for federal military benefits in order to qualify for the purchase in the first place.

SB 153 recognizes the contribution made by police officers and fire fighters who have both served our country through the military and now pursue careers to protect and defend our state and communities.

**SENATE BILL NO. 153**

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

**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY SENATORS FRENCH, Davis, McGuire**

**Introduced: 4/13/07**

**Referred: Labor and Commerce, State Affairs, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the use of credited military service by retired peace officers and fire**  
2 **fighters to meet certain requirements for major medical insurance coverage benefits."**

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

4 **\* Section 1. AS 39.35.340(d) is amended to read:**

5 (d) The credited service granted under this section may not be used to satisfy  
6 the credited service requirements for normal retirement. However, a member who  
7 retires as a peace officer or fire fighter may use five or fewer years of credited  
8 service granted under this section in computing years of credited service under  
9 AS 39.35.535(c).

### What Tier am I?

Members who first entered a PERS position and were making contributions.

- > Before 7/1/86—**Tier I**
- > On or after 7/1/1986, but before 7/1/1996—**Tier II**
- > On or after July 1, 1996, but before 7/1/2006—**Tier III**

This brochure only applies to Tiers I, II, and III. If you entered a PERS position on or after 7/1/2006, refer to a PERS Tier IV Defined Contribution Retirement Plan brochure.



### Alaska Division of Retirement and Benefits

State Office Building  
333 Willoughby Ave., 6th floor  
PO Box 110203  
Juneau, AK 99811-0203  
Fax: (907) 465-3086  
**In Juneau (907) 465-4460**  
**1-800-821-2251**

TDD for the hearing impaired  
(907) 465-2805

**Email:**  
preretirementservices@admin.state.ak.us

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[www.state.ak.us/drb](http://www.state.ak.us/drb)

The information in this brochure is not intended to replace the Alaska Statutes or the Alaska Administrative Code. Language contained in the Alaska Statutes, the Alaska Administrative Code, and the Plan Documents govern the plans.

Alaska Division of Retirement and Benefits

PERS Tier I, II, and III  
Defined Benefit Retirement System

## Military Service Credit

How to receive credit for your military service when you are vested.



May 2006

# Claiming a Military Service Credit

**Y**ou may be eligible to receive up to five years of Public Employees' Retirement System (PERS) credit for your active military service in the U.S. Armed Forces, if you are vested and you were honorably discharged. PERS retirees, deferred vested members, and surviving spouses of members who had served in the armed forces, may also be eligible to receive this credit.

Members first hired under the PERS after June 30, 1986, are not eligible for PERS military credit if they are retired from regular service and eligible for a federal benefit for the same service. Retired National Guard and Reserve Unit members may be eligible to claim active military service even though they are eligible to receive a federal retirement benefit for the same service.

Military credit does not count towards retirement eligibility, however it is used in the calculation of your monthly benefits.

Military service also includes active service as:

- (1) A foreign service officer, foreign service reserve officer, or limited foreign service reserve officer with the U.S. Department of State in Vietnam, Cambodia or Laos from August 4, 1964, through November 7, 1975; and

- (2) A member of the U.S. Merchant Marines from December 1941, through September 30, 1945.

You may claim your military service by:

- > Completing side I of the *Application for Military Service Credit* (form 02-1895); and
- > Attaching the required military documentation.

The application and other forms are available on the Internet at [www.state.ak.us/drb](http://www.state.ak.us/drb), by calling the Pre-Retirement Services Unit at (907) 465-4460, or by email at [preretirementservices@admin.state.ak.us](mailto:preretirementservices@admin.state.ak.us).

After your application is received and accepted, an indebtedness will be established and you may begin making payments.

### **The Cost**

The cost for claiming military service (indebtedness) will depend on when you are first eligible (date first vested) to claim it.

Members first eligible:

- > After December 31, 1986, will be charged 8.5% of their annualized vesting year salary for each year claimed.
- > Before January 1, 1987, will be charged 6% of their 1976 or annualized vesting year salary, whichever is later, for each year claimed.

Interest on an indebtedness for service under (1) and (2) begins accruing on July 1, 1987, or one year following the member's vesting date, whichever is later. For other military

service, interest begins accruing on July 1, 1977, or one year following vesting, whichever is later. Seven percent interest will continue to accrue until the indebtedness is completely paid or you retire, whichever occurs first.

The total military credit that may be claimed in the PERS and Teachers' Retirement System (TRS) is five years for those persons who have served in both systems.

If you are employed by a PERS employer on the date that you are called to active military duty and you return to PERS employment within 90 days following your discharge, you are not required to pay contributions for that period of military service. You are required to contact the Division to claim this time.

**Please note:** call to active duty does not count towards five-year limit of claimed military service.



# Purchasing Military Service

## PERS

## Retiree Medical Benefit

### Current Law

Police officers and firefighters with past military service can "purchase" up to 5 years of military service credit to put towards their retirement benefit.

Purchasing this credit does not allow a person to retire earlier, but can increase their monthly pension amount.

*Example:* If a police officer retires after 20 years of service, he or she could "purchase" up to 5 years of military service credit and receive the pension benefits of someone who retired after 25 years of service.

The military service credit purchased by a police officer or firefighter does NOT count towards the retiree medical benefits requirements. Current law provides medical benefits as follows:

**Tier 1-** Medical benefits to all retirees.

**Tier 2- Police and Fire—**Medical benefits begin at age 60 or after 25 years of service.

**Tier 3- Same as Tier 2**

*Example:* A police or fire retiree could retire after 20 years of service at the age of 52. Even if a 5 year military service credit was purchased, the individual would have to wait until the age of 60 to have full retiree medical benefits.

### Under SB 153

**No change.**

SB 153 would allow the years of military service credit purchased to count towards the years of service needed to attain the retiree medical benefit.

*Example:* A police officer or fire fighter retiree who retires after 20 years of service at the age of 52, and who has purchased 5 years of military credit would have the 25 years of service necessary to receive full medical benefits.

#### **Note:**

- If you have served over 20 years in the military, you are eligible for a federal benefit hence ineligible to purchase military service credit.
- Tier 4 employees are under a defined contribution system and are not able to purchase military service credit.
- At the age of 65, Medicare becomes the primary payer of health insurance costs for all participants in the PERS system.

**SB**

**160**

# SENATE COMMITTEE REPORT

DATE: 2/19/08

FURTHER: Finance

DATE TURNED  
IN TO OFFICE: 3/14/08

Labor and Commerce Committee considered SENATE BILL NO. 160

## SB 160 MANDATORY UNIVERSAL HEALTH CARE

"An Act establishing an Alaska health care program to ensure insurance coverage for essential health services for all residents of the state; establishing the Alaska Health Care Board to define essential health care services, to certify health care plans that provide essential health care services, and to administer the Alaska health care program and the Alaska health care fund; establishing the Alaska health care clearinghouse to administer the Alaska health care program under the direction of the Alaska Health Care Board; establishing eligibility standards and premium assistance for persons with low income; establishing standards for accountable health care plans; creating the Alaska health care fund; providing for review of actions and reporting requirements related to the health care program; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS SB 160 (LHC)
- adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

**SENATE BILL:**

- Same Title
- New Title

**HOUSE BILL:**

- Same Title
- Technical Title Change
- New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indst	Zero	FN#
HSS/PA	2/25/08	✓			
HSS/MS	2/25/08	✓			
HSS/SH	2/25/08	✓			
CCED	2/22/08		✓		

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indst	Zero	FN#
HSS	1/25	✓			

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS		NAME	DATE	RECOMMENDATION	DATE
		DAVIS			X
		[unclear]		X	
		Hoffman		X	
CHAIR:		ELLIS		X	

**Senator Hollis French**

Capitol Room 417  
465-3892  
465-6595 fax



**Fax Cover Sheet**

Pages (including this cover): 3

Date: 3/7/2008

To: Dennis Bailey, Leg. Legal

From: Andy Moderow, Staff to Sen. French

A handwritten signature, possibly "AM", enclosed in an oval.

**RE: Changes for a blank CS for SB 160**

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Attached is a list of changes to be incorporated into a blank CS for SB 160. The changes are to be made to the current HESS CS of the bill, the \N draft. I have included the reasoning behind each change so you can understand the intention of the modifications, making it easier for you to suggest alternative wording if something is unclear. If you believe substantially different language is required than what the attached memo provides, please let me know either today or on Monday if at all possible.

The legislation will be up before the Senate Labor and Commerce committee on Tuesday, March 11<sup>th</sup> at 1:30 PM, where this CS will likely be brought up and discussed.

If you have any questions contact me at x3892. Thanks!

**Changes to be made to the \N version of CS SB160 (HESS):**

***Refine the definition of FTE***

The exact definition of full time employee in the current draft isn't clear, and the legislation aims to only tax businesses that have workers who don't have health coverage.

The proposed language for the blank CS is to change "full time employee" to "employee who is required to participate in the Alaska health care program, as defined under 21.54.240." This would ensure that employers aren't penalized for not providing coverage to employees who already have health access, and it would also include part time workers.

In addition, to clear up confusion over what constitutes a 'full time employee,' the proposed language to determine the levy percentage is by measuring the total payroll of those employees who are required to participate. For businesses with payrolls below \$500,000 a year gross to those employees required to participate in the plan, no levy will be taken. For businesses between \$500,000 and \$1 million a year gross to those employees required to participate in the plan, the levy will be 1% of gross payroll. For over \$1 million, the levy will be 2%. This should provide a more concrete way to measure business size, and it prevents employers from getting around the 'number of employees' test by hiring only part time workers.

To accommodate these changes, here is my best guess at how to change the current bill:

**On page 7 line 29: strike "employees" and replace with "all employees"**

**Page 8 lines 3-6: Delete and replace (1) and (2) with:**

- (1) if an employer pays out greater than \$500,000 per year but less than \$1,000,000 per year in gross payroll to employees that are required to participate in the Alaska health care program, as defined under 21.54.240, the employer shall pay 1% of the gross payroll to those employees.**
- (2) if an employer pays out \$1,000,000 or more per year in gross payroll to employees that are required to participate in the Alaska health care program, as defined under 21.54.240, the employer shall pay 2% of the gross payroll.**

***Health Care Board*** – We have received some concerns that the definition of 'insurer' only includes one particular aspect of the insurance industry – that of the large companies, and not the underwriters, who have more of a direct connection with clients.

**On page 3 line 15:  
Delete (1)**

**Add the following:**

- (1) one insurance producer licensed to sell health care insurance in the state;**
  - (2) one representative of a health care insurance company approved by the state to transact business in Alaska;**
- (and then renumber accordingly)**

*Religious exemption* – Massachusetts gives individuals who have deeply held religious beliefs an exemption from the requirement to have coverage. Such an amendment, while not exactly what the Christian Scientists are looking for in their proposal, would make it so that they don't have to buy a health plan they will not use.

**Under Section 21.54.240(a) after page 6 line 7, add a new subsection:**

- (8) has demonstrated satisfactorily to the board that deeply held religious beliefs run contrary to the program and the obligation to have coverage for essential health care services.**

*Effective date clause fix* – place necessary changes in the new CS per the recommendations of the memo from Dennis Bailey dated February 19, 2008.

*IHS recipient clean up language* – the intention of the current draft is to make it so people who have health access through IHS programs won't be required to purchase additional coverage. The current draft requires that IHS coverage meets or exceeds how the bill defines essential health care services. By removing the requirement of "meets or exceeds essential health care services", the bill won't require an IHS recipient to purchase a whole separate plan if the IHS benefits don't line up exactly with the definition of essential health care services.

**On page 6 lines 5-6: Strike "that meet or exceed the benefits for essential health care services"**

**Financial protection guarantee** - This language would give the board a duty to make available in the clearinghouse a plan that meets essential health care services that can effectively protect an individual from severe financial hardship in times of medical need, taking into account a household's income and other relevant financial criteria. It will help to address underinsured issues that could arise. For example, the board made a 15k deductible health care plan available to a household that earns 15k a year, essentially leaving them uninsured.

**On Page 5 after line 4 - add:**

- (11) ensure that all Alaskans who are required to participate in the Alaska health care program are offered plans that can effectively protect the plan holder and their household from severe financial hardship in times of medical need, taking into account household income and other relevant financial criteria.**

25-LS0728VT  
Bailey  
3/10/08

**CS FOR SENATE BILL NO. 160( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY**

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

**Sponsor(s): SENATORS FRENCH, Ellis, Wielechowski**

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

1 **"An Act establishing an Alaska health care program to ensure insurance coverage for**  
2 **essential health services for residents of the state; establishing the Alaska Health Care**  
3 **Board to administer the Alaska health care program and the Alaska health care fund;**  
4 **establishing the Alaska health care clearinghouse to administer the Alaska health care**  
5 **program under the direction of the Alaska Health Care Board; establishing eligibility**  
6 **standards and premium assistance for persons with low income; creating the Alaska**  
7 **health care fund; providing for review of actions and reporting requirements related to**  
8 **the health care program; and providing for an effective date."**

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

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

12 **FINDINGS; PURPOSE. (a) The legislature finds that**

- 1 (1) the current health care system is unsustainable;
- 2 (2) improving and protecting the health of Alaskans must be a primary goal of
- 3 the state;
- 4 (3) all Alaskans should have access to essential health care services that are
- 5 affordable, that are based on publicly debated criteria, and that consider the well-being of
- 6 individuals across their life spans;
- 7 (4) Alaska has an economic interest in ensuring equitable financing of
- 8 essential health care for Alaskans who do not have access to basic health care;
- 9 (5) health care policies should emphasize public health and encourage the use
- 10 of quality service and evidence-based treatment that are appropriate and safe and that
- 11 discourage over-treatment;
- 12 (6) health care providers and informed patients must be the primary decision
- 13 makers who are accountable for an individual's health;
- 14 (7) health care funding should be explicit, predictable, and economically
- 15 sustainable;
- 16 (8) an economically sustainable health care system requires that providers
- 17 receive fair and adequate compensation;
- 18 (9) health care must be balanced with other programs that also affect health;
- 19 and
- 20 (10) health care must account for the allocation of resources and the human
- 21 consequences of funding decisions.

22 (b) The purpose of this Act is to address the findings and concerns listed in (a) of this

23 section by creating the Alaska health care program.

24 \* **Sec. 2.** AS 21.54 is amended by adding new sections to read:

25 **Article 2A. Alaska Health Care Program.**

26 **Sec. 21.54.200. Alaska health care program.** The Alaska health care program

27 is established to

- 28 (1) ensure that residents of the state have access to affordable health
- 29 care insurance;
- 30 (2) require that residents of the state have, at a minimum, insurance
- 31 covering essential health care services;

1 (3) reduce unsustainable health care cost increases;

2 (4) establish a system of health care insurance that integrates public  
3 involvement and oversight, consumer choice, and competition within the private  
4 health care insurance market;

5 (5) use models of health care insurance benefits, service delivery, and  
6 payments that control costs and overuse, emphasizing preventative care and chronic  
7 disease management within a primary care environment; and

8 (6) provide services for humane and dignified end-of-life care.

9 **Sec. 21.54.210. Alaska Health Care Board.** (a) The Alaska Health Care  
10 Board is established in the division to manage the Alaska health care program.

11 (b) The board shall consist of 13 members, including 12 members appointed  
12 by the governor, subject to confirmation by the legislature, and the commissioner of  
13 health and social services or the commissioner's designee, serving ex officio. The  
14 members of the board appointed by the governor must include

15 (1) one representative who is a licensed insurance producer;

16 (2) one representative from a health insurance company licensed to  
17 transact health care insurance in the state;

18 (3) two representatives of the business community other than health  
19 care insurers, one representing large businesses, and one representing small  
20 businesses;

21 (4) one representative each from two Alaska hospitals;

22 (5) one representative of a labor organization;

23 (6) two physicians licensed in Alaska;

24 (7) two health care consumer advocates; and

25 (8) one registered nurse.

26 (c) Except for the commissioner or the commissioner's designee, who serves  
27 ex officio, each board member serves for a term of three years beginning on January 1  
28 and until a successor has been appointed. A member is eligible for reappointment.

29 (d) If there is a vacancy, the governor shall make an appointment, effective  
30 immediately, for the balance of the unexpired term.

31 (e) Members of the board are entitled to per diem and transportation costs

1 under AS 39.20.180.

2 (f) The board shall select a member to serve as chair and a member to serve as  
3 vice-chair for a term and with duties and powers necessary to perform their functions.

4 (g) A majority of the board constitutes a quorum for transacting business.

5 **Sec. 21.54.220. Powers and duties of the Alaska Health Care Board. (a)**

6 The Alaska Health Care Board shall

7 (1) administer, as a fiduciary, the Alaska health care fund established  
8 under AS 21.54.280 in accordance with the Alaska health care program established by  
9 AS 21.54.200 - 21.54.310;

10 (2) establish types or categories of health care insurance plans offered  
11 through the Alaska health care clearinghouse;

12 (3) classify each plan offered through the clearinghouse as a  
13 comprehensive or basic health care insurance plan, based on criteria including the  
14 financial cost of the plan, including premium cost, deductible costs, and co-pay  
15 provisions;

16 (4) establish criteria for participation by residents and insurers in the  
17 Alaska health care program;

18 (5) establish an Alaska health care voucher system that provides health  
19 care insurance to each individual who meets the needs-based participation criteria set  
20 out in AS 21.54.240 or who is the beneficiary of contributions made to the fund that  
21 specify the individual as the beneficiary under AS 21.54.280(b);

22 (6) ensure that eligible individuals are enrolled in a health care  
23 insurance plan that provides essential health care services;

24 (7) prescribe the method for determining individual income for the  
25 purpose of the Alaska health care program;

26 (8) establish procedures for enrolling a participant in the Alaska health  
27 care program, including enrollment procedures describing when an individual may  
28 enroll or select a different health insurance plan offered through the Alaska health care  
29 clearinghouse; the procedures established under this paragraph must allow an  
30 individual insured by a health care insurance plan offered through the Alaska health  
31 care clearinghouse to select a different health care insurance plan from the plans

1 offered through the clearinghouse and to make that selection at least annually;

2 (9) require that participants receive complete information regarding the  
3 cost of obtaining health care insurance; and

4 (10) establish procedures for notice and hearings for a person  
5 aggrieved by a decision of the board or the Alaska health care clearinghouse;

6 (11) ensure that every Alaskan who is required to participate in the  
7 Alaska health care program is offered health care insurance that protects the insured  
8 from severe financial hardship caused by the cost of receiving medical care.

9 (b) The board may hold regular and special meetings as the board considers  
10 necessary; board meetings may be held by teleconference; meetings shall be recorded  
11 and made available on request.

12 **Sec. 21.54.230. Alaska health care clearinghouse.** (a) The Alaska health care  
13 clearinghouse is established in the division.

14 (b) The clearinghouse shall be administered by the director.

15 (c) The clearinghouse shall

16 (1) administer the Alaska health care program under the direction of  
17 the Alaska Health Care Board;

18 (2) disseminate information about health care insurance products  
19 available through the clearinghouse; and

20 (3) provide assistance in the enrollment process for a small business or  
21 an individual.

22 **Sec. 21.54.240. Essential health care services; eligibility.** (a) Every resident  
23 of the state shall participate in the Alaska health care program except a resident who

24 (1) is a beneficiary of a health care plan that provides health care  
25 benefits that meet or exceed the benefits for essential health care services;

26 (2) is eligible to be enrolled in a publicly funded medical assistance  
27 program providing services that meet or exceed the benefits required as essential  
28 health care services;

29 (3) is enrolled in Medicaid or Medicare;

30 (4) is receiving health care benefits under a health benefit plan  
31 regulated by 29 U.S.C. 1001 - 1461 (Employee Retirement Income Security Act of

14) that meet or exceed the benefits for essential health care services;

(5) has resided in the state for less than one year; however, a person who has resided in the state for less than one year may receive services provided by the Alaska health care clearinghouse under AS 21.54.230;

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(6) is an individual insured under an individual state plan of health insurance under the Comprehensive Health Insurance Association under AS 21.55;

(7) is receiving health care benefits under a medical care program of the Indian Health Service; however, a person receiving health care benefits under a medical care plan of the Indian Health Service may elect to participate in the Alaska health care program; or

(8) demonstrates satisfactorily to the board, under criteria established by the board, that the person has deeply held religious beliefs contrary to the Alaska health care program and the requirement to purchase health care insurance for essential health care services.

(b) The Alaska Health Care Board shall provide a voucher to a resident with an income that is not more than 450 percent of the most recent federal poverty guidelines, updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2), and who is only eligible for coverage through the Comprehensive Health Insurance Association (AS 21.55). A voucher authorized by this subsection must equalize the cost of insurance under the Comprehensive Health Insurance Association with the cost of purchasing a health care insurance plan that provides substantially equivalent benefits through the Alaska health care clearinghouse. For purposes of cost comparison under this subsection, the Alaska Health Care Board shall determine whether a plan provided under the Comprehensive Health Insurance Association provides substantially equivalent benefits to a health care insurance plan offered through the clearinghouse.

(c) A resident with an income that is not more than the most recent federal poverty guidelines, updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. 9902(2), who is required to participate in the Alaska health care program shall receive private

# **CORRECTION**

**THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION**



Rev. 6/98

Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

1 1974) that meet or exceed the benefits for essential health care services;

2 (5) has resided in the state for less than one year; however, a person  
3 who has resided in the state for less than one year may receive services provided by  
4 the Alaska health care clearinghouse under AS 21.54.230;

5 (6) is an individual insured under an individual state plan of health  
6 insurance under the Comprehensive Health Insurance Association under AS 21.55;

7 (7) is receiving health care benefits under a medical care program of  
8 the Indian Health Service; however, a person receiving health care benefits under a  
9 medical care plan of the Indian Health Service may elect to participate in the Alaska  
10 health care program; or

11 (8) demonstrates satisfactorily to the board, under criteria established  
12 by the board, that the person has deeply held religious beliefs contrary to the Alaska  
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14 essential health care services.

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17 guidelines, updated periodically in the Federal Register by the United States  
18 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
19 and who is only eligible for coverage through the Comprehensive Health Insurance  
20 Association (AS 21.55). A voucher authorized by this subsection must equalize the  
21 cost of insurance under the Comprehensive Health Insurance Association with the cost  
22 of purchasing a health care insurance plan that provides substantially equivalent  
23 benefits through the Alaska health care clearinghouse. For purposes of cost  
24 comparison under this subsection, the Alaska Health Care Board shall determine  
25 whether a plan provided under the Comprehensive Health Insurance Association  
26 provides substantially equivalent benefits to a health care insurance plan offered  
27 through the clearinghouse.

28 (c) A resident with an income that is not more than the most recent federal  
29 poverty guidelines, updated periodically in the Federal Register by the United States  
30 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
31 who is required to participate in the Alaska health care program shall receive private

1 health care insurance coverage for essential health care services at no cost, paid from  
2 the fund.

3 (d) A resident with an income between 100 percent and not more than 300  
4 percent of the most recent federal poverty guidelines, updated periodically in the  
5 Federal Register by the United States Department of Health and Human Services  
6 under the authority of 42 U.S.C. 9902(2), who is required to participate in the Alaska  
7 health care program shall pay premiums for health care insurance for essential health  
8 care services on a sliding scale established by the board.

9 (e) A resident with an income of 300 percent or more of the most recent  
10 federal poverty guidelines, updated periodically in the Federal Register by the United  
11 States Department of Health and Human Services under the authority of 42 U.S.C.  
12 9902(2), who is required to participate in the Alaska health care program shall pay the  
13 premium for health care insurance for essential health care services.

14 (f) A person who is an alien is not eligible for assistance under AS 21.54.200 -  
15 21.54.310 unless the person is a qualified alien, as defined under 8 U.S.C. 1641, or an  
16 alien excepted under 8 U.S.C. 1612(b). However, a qualified alien may only be  
17 eligible for assistance under AS 21.54.200 - 21.54.310 if the person is not precluded  
18 by the limited eligibility provision of 8 U.S.C. 1613.

19 **Sec. 21.54.250. Essential health care services.** For purposes of AS 21.54.200  
20 - 21.54.310, essential health care services means medical services performed for an  
21 individual covered by a health care plan for the diagnosis or treatment of  
22 nonoccupational disease or nonoccupational injury. The medical services that must be  
23 performed for an individual covered by a health care plan include, as a minimum,

- 24 (1) preventative and primary care;  
25 (2) emergency services;  
26 (3) inpatient services and hospital treatment;  
27 (4) ambulatory patient services;  
28 (5) prescription drug coverage; and  
29 (6) mental health services.

30 **Sec. 21.54.260. Alternative or additional health care services.** (a) An  
31 employer may offer health insurance coverage that meets or exceeds coverage for

1 essential health care services.

2 (b) An individual or employer may purchase health care insurance for health  
3 care services in addition to the essential health care services required under  
4 AS 21.54.200 - 21.54.310.

5 (c) If an employer does not provide a health care insurance plan for all  
6 employees or provides a health care insurance plan that meets or exceeds coverage for  
7 essential health care services but does not enroll at least 25 percent of the employer's  
8 employees in the plan or does not offer to pay at least 33 percent of the premium for  
9 health care insurance under the plan, the employer shall pay the department as  
10 follows:

11 (1) if an employer's annual gross payroll paid to employees who are  
12 required to participate in the Alaska health care plan under AS 21.54.240 is \$500,000  
13 or less, no payment is required;

14 (2) if an employer's annual gross payroll paid to employees who are  
15 required to participate in the Alaska health care plan under AS 21.54.240 is greater  
16 than \$500,000 but less than \$1,000,000, the employer shall pay one percent of the  
17 gross payroll; or

18 (3) if an employer's annual gross payroll paid to employees who are  
19 required to participate in the Alaska health care program under AS 21.54.240 is  
20 \$1,000,000 or greater, the employer shall pay two percent of the gross payroll.

21 (d) An employer that establishes a cafeteria plan under 26 U.S.C. 125 (Internal  
22 Revenue Code) that offers employees the option to elect health care insurance  
23 coverage that meets or exceeds essential health care services is not subject to the  
24 payment requirements under (c) of this section, regardless of whether an employee  
25 elects to receive the offered health care insurance.

26 (e) In this section, "essential health care services" means those services set out  
27 in AS 21.54.250.

28 **Sec. 21.54.270. Health care insurance plan; children's coverage.** (a) A  
29 health care insurance plan that is approved by the director that provides coverage for  
30 essential health care services under AS 21.54.200 - 21.54.310 and meets the other  
31 requirements established under this title may be offered through the Alaska health care

1 clearinghouse.

2 (b) A health care insurance plan offered through the Alaska health care  
3 clearinghouse may not deny enrollment to an eligible individual.

4 (c) A health care insurance plan offered through the Alaska health care  
5 clearinghouse may include

6 (1) different benefits for network or out-of-network providers;

7 (2) varied levels of copayment, coinsurance, deductible amounts, out-  
8 of-pocket maximums;

9 (3) high deductible health plans as defined by 26 U.S.C. 223(c)(2)  
10 (Internal Revenue Code); and

11 (4) special insurance terms applicable only to individuals between 18  
12 and 30 years of age.

13 (d) A health care insurance plan offered through the Alaska health care  
14 clearinghouse that covers children must provide that the coverage will continue until  
15 the earlier of the child's reaching 25 years of age or two years after the child no longer  
16 resides with the family.

17 **Sec. 21.54.280. Alaska health care fund.** (a) The Alaska health care fund is  
18 established as a separate trust fund of the state. The fund consists of

19 (1) state money appropriated to the fund;

20 (2) federal money appropriated to the fund;

21 (3) private employer and employee health care contributions or fees  
22 received by the department and appropriated to the fund;

23 (4) health care premiums received by the department and appropriated  
24 to the fund;

25 (5) other appropriations by the legislature;

26 (6) contributions appropriated to the fund from the United States  
27 government and its agencies, or from any other source, public or private, provided for  
28 purposes that are consistent with the goals of the Alaska health care program; and

29 (7) interest earnings from investments of the fund appropriated to the  
30 fund.

31 (b) Contributions may be made to the fund by an employer, employers, or an

1 individual that is specified for a particular beneficiary. If a contribution is made to the  
2 fund for the benefit of a particular beneficiary, the beneficiary shall receive a health  
3 care voucher in the amount of the contribution that may be used to purchase a health  
4 care insurance plan. Money collected under AS 21.54.260(c) is not considered made  
5 for the benefit of a particular beneficiary.

6 (c) The board may use the fund for the purpose of administering the Alaska  
7 health care program consistent with AS 21.54.200 - 21.54.310.

8 **Sec. 21.54.290. Disputes and appeals.** A person is entitled to notice and an  
9 opportunity for a hearing under regulations adopted by the Alaska Health Care Board  
10 if

11 (1) the board or the Alaska health care clearinghouse denies enrollment  
12 to the person;

13 (2) an accountable health care plan refuses to enroll an individual or  
14 fails to provide essential health care services; or

15 (3) the person is adversely affected or aggrieved by a decision of the  
16 board or the clearinghouse.

17 **Sec. 21.54.300. Reporting.** The Alaska Health Care Board shall submit a  
18 written report on the operation of the Alaska health care program to the commissioner  
19 and to the legislature by January 1 of each year. The report must include

20 (1) the number of individuals enrolled in the Alaska health care  
21 program;

22 (2) the cost savings to the state, to employers, and to health care  
23 providers;

24 (3) a measure of patient satisfaction;

25 (4) an assessment of patient access to essential health care services;

26 (5) a description of the changes or adjustments made to the program  
27 during the period covered by the report;

28 (6) a discussion of the state agencies delivering redundant services, if  
29 any, relating to health care benefits;

30 (7) an evaluation of state programs that regulate or deliver health care  
31 benefits:

1 (8) recommendations for legislative changes necessary to meet the  
2 goals of the program;

3 (9) an evaluation of and recommendations on the following topics:

4 (A) the use of electronic health records;

5 (B) children's health insurance programs;

6 (C) the effectiveness of Medicaid and the potential expansion  
7 of the Alaska Medicaid program, including a comparison between the costs of  
8 expanding the Alaska Medicaid program and the cost of providing benefits  
9 through the Alaska health care program;

10 (D) the effect of mandated benefits;

11 (E) prescription drug bargaining;

12 (F) evidence-based treatment procedures including a  
13 comparison of the use of evidence-based treatment in other states;

14 (G) the recruitment and retention of medical professionals in  
15 the state;

16 (H) expanding offerings of the University of Alaska in medical  
17 fields;

18 (I) maximizing federal funding to implement the program;

19 (J) innovations that could produce health care cost savings,  
20 including waivers under 42 U.S.C. 1315 (sec. 1115, Social Security Act),  
21 which allows experimental, pilot, or demonstration projects likely to assist in  
22 promoting the objectives of the Medicaid statute.

23 **Sec. 21.54.310. Regulations.** The Alaska Health Care Board shall adopt  
24 regulations under AS 44.62 (Administrative Procedure Act) consistent with  
25 AS 21.54.200 - 21.54.310.

26 \* **Sec. 3.** AS 21.54.500 is amended by adding new paragraphs to read:

27 (30) "alien" means a person who is not a citizen or national of the  
28 United States;

29 (31) "board" means the Alaska Health Care Board;

30 (32) "fund" means the Alaska health care fund;

31 (33) "resident" or "residency" has the meaning given in AS 01.10.055.

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

3           **TRANSITIONAL PROVISIONS.** Notwithstanding AS 21.54.210, enacted by sec. 2  
4 of this Act, the initial terms for members of the Alaska Health Care Board, except for the  
5 commissioner of health of social services who serves ex officio, are as follows:

6                   (1) four members shall be appointed to serve for a term ending December 31,  
7 2009;

8                   (2) four members shall be appointed to serve for a term ending December 31,  
9 2010; and

10                   (3) the remaining members shall be appointed to serve for a term ending  
11 December 31, 2011.

12     \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14           **TRANSITIONAL PROVISIONS: REGULATIONS.** The Alaska Health Care Board  
15 established under AS 21.54.210, enacted by sec. 2 of this Act, may proceed to adopt  
16 regulations necessary to implement this Act under AS 21.54.310, enacted by sec. 2 of this  
17 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
18 before the effective date of the statutory changes.

19     \* **Sec. 6.** AS 21.54.210, 21.54.220, and 21.54.230, enacted by sec. 2 of this Act, and sec. 5  
20 of this Act take effect immediately under AS 01.10.070(c).

21     \* **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect January 1, 2009.

# ALASKA STATE LEGISLATURE



## SENATOR HOLLIS FRENCH

March 11<sup>th</sup>, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol, Room 9  
Juneau, AK 99801

Dear Chair Ellis,

During the Senate Labor and Commerce hearing held on February 28<sup>th</sup>, 2008, committee member Senator Gary Stevens had questions regarding the interaction between Senate Bill 160 and programs administered by the Indian Health Service. The Senator's questions demonstrated a concern that Senate Bill 160 may replace federal funding with state dollars. This memo evaluates his concern, and demonstrates that the language in Senate Bill 160 will not result in a loss of federal Indian Health Service dollars.

As discussed during the hearing on February 28<sup>th</sup>, the current draft of SB 160 allows for an IHS recipient to voluntarily participate in the voucher system under the legislation. This provision has been included so that all Alaskans are offered equal health access opportunities, while acknowledging that many IHS recipients who lack private coverage are already satisfied with the services they can receive through the federal program. In the new CS, to be placed before the Senate Labor and Commerce committee on March 11<sup>th</sup>, 2008, the requirement that IHS benefits meet or exceed essential health care services, as defined under the legislation in 21.54.250, has been removed. This change ensures that satisfied IHS beneficiaries won't be subject to the individual responsibility clause in the legislation.

Senator Stevens correctly acknowledged that private health coverage is billed for health services received by IHS beneficiaries, even when care is delivered in IHS funded facilities. However, it should be noted that funds received from private health coverage do not displace federal dollars in these instances; instead, they are added to the total funds that an IHS facility can use to deliver care. Tribal and IHS facilities receive a fixed amount of funding annually, without regard to the number of hospital visits or procedures performed, and without regard to the amount of private insurance dollars received from outside coverage. In addition, if an IHS recipient elects to participate in the framework established under Senate Bill 160 *and* seeks care outside the federal framework, the IHS system will not receive fewer health care dollars from the federal government.

While it is true that the passage of Senate Bill 160 may result in state subsidized insurance dollars entering the tribal health system, such an outcome would help produce better equity for all health beneficiaries in the state. Based on government provided data from 2000-2007, the per capita personal health care expenditure for IHS recipients was \$2,158 per year; the US per capita estimate landed at \$5,291 dollars per year. Third party collections by the IHS system are estimated to bring in \$780 million this year, adding additional dollars to the proposed \$3.3 billion appropriation from Congress.

The true goal of this legislation is to ensure basic health access for all Alaskans, and I believe that the language related to IHS beneficiaries in the legislation furthers that aim. If more information is needed on this complex issue please contact my office, and I will ensure that appropriate information is gathered and distributed.

Sincerely,

A handwritten signature in black ink, appearing to read "HOLLIS FRENCH", written in a cursive style.

Senator Hollis French

25-LS0728\T  
Bailey  
3/10/08

**CS FOR SENATE BILL NO. 160( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY**

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

**Sponsor(s): SENATORS FRENCH, Ellis, Wielecbowski**

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

1 **"An Act establishing an Alaska health care program to ensure insurance coverage for**  
2 **essential health services for residents of the state; establishing the Alaska Health Care**  
3 **Board to administer the Alaska health care program and the Alaska health care fund;**  
4 **establishing the Alaska health care clearinghouse to administer the Alaska health care**  
5 **program under the direction of the Alaska Health Care Board; establishing eligibility**  
6 **standards and premium assistance for persons with low income; creating the Alaska**  
7 **health care fund; providing for review of actions and reporting requirements related to**  
8 **the health care program; and providing for an effective date.'**

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

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

12 **FINDINGS; PURPOSE.** (a) The legislature finds that

- 1 (1) the current health care system is unsustainable;
- 2 (2) improving and protecting the health of Alaskans must be a primary goal of
- 3 the state;
- 4 (3) all Alaskans should have access to essential health care services that are
- 5 affordable, that are based on publicly debated criteria, and that consider the well-being of
- 6 individuals across their life spans;
- 7 (4) Alaska has an economic interest in ensuring equitable financing of
- 8 essential health care for Alaskans who do not have access to basic health care;
- 9 (5) health care policies should emphasize public health and encourage the use
- 10 of quality service and evidence-based treatment that are appropriate and safe and that
- 11 discourage over-treatment;
- 12 (6) health care providers and informed patients must be the primary decision
- 13 makers who are accountable for an individual's health;
- 14 (7) health care funding should be explicit, predictable, and economically
- 15 sustainable;
- 16 (8) an economically sustainable health care system requires that providers
- 17 receive fair and adequate compensation;
- 18 (9) health care must be balanced with other programs that also affect health;
- 19 and
- 20 (10) health care must account for the allocation of resources and the human
- 21 consequences of funding decisions.

22 (b) The purpose of this Act is to address the findings and concerns listed in (a) of this

23 section by creating the Alaska health care program.

24 \* **Sec. 2.** AS 21.54 is amended by adding new sections to read:

25 **Article 2A. Alaska Health Care Program.**

26 **Sec. 21.54.200. Alaska health care program.** The Alaska health care program

27 is established to

- 28 (1) ensure that residents of the state have access to affordable health
- 29 care insurance;
- 30 (2) require that residents of the state have, at a minimum, insurance
- 31 covering essential health care services;

- 1 (3) reduce unsustainable health care cost increases;
- 2 (4) establish a system of health care insurance that integrates public
- 3 involvement and oversight, consumer choice, and competition within the private
- 4 health care insurance market;
- 5 (5) use models of health care insurance benefits, service delivery, and
- 6 payments that control costs and overuse, emphasizing preventative care and chronic
- 7 disease management within a primary care environment; and
- 8 (6) provide services for humane and dignified end-of-life care.

9 **Sec. 21.54.210. Alaska Health Care Board.** (a) The Alaska Health Care

10 Board is established in the division to manage the Alaska health care program.

11 (b) The board shall consist of 13 members, including 12 members appointed

12 by the governor, subject to confirmation by the legislature, and the commissioner of

13 health and social services or the commissioner's designee, serving ex officio. The

14 members of the board appointed by the governor must include

- 15 (1) one representative who is a licensed insurance producer;
- 16 (2) one representative from a health insurance company licensed to
- 17 transact health care insurance in the state;
- 18 (3) two representatives of the business community other than health
- 19 care insurers, one representing large businesses, and one representing small
- 20 businesses;
- 21 (4) one representative each from two Alaska hospitals;
- 22 (5) one representative of a labor organization;
- 23 (6) two physicians licensed in Alaska;
- 24 (7) two health care consumer advocates; and
- 25 (8) one registered nurse.

26 (c) Except for the commissioner or the commissioner's designee, who serves

27 ex officio, each board member serves for a term of three years beginning on January 1

28 and until a successor has been appointed. A member is eligible for reappointment.

29 (d) If there is a vacancy, the governor shall make an appointment, effective

30 immediately, for the balance of the unexpired term.

31 (e) Members of the board are entitled to per diem and transportation costs

1 under AS 39.20.180.

2 (f) The board shall select a member to serve as chair and a member to serve as  
3 vice-chair for a term and with duties and powers necessary to perform their functions.

4 (g) A majority of the board constitutes a quorum for transacting business.

5 **Sec. 21.54.220. Powers and duties of the Alaska Health Care Board.** (a)  
6 The Alaska Health Care Board shall

7 (1) administer, as a fiduciary, the Alaska health care fund established  
8 under AS 21.54.280 in accordance with the Alaska health care program established by  
9 AS 21.54.200 - 21.54.310;

10 (2) establish types or categories of health care insurance plans offered  
11 through the Alaska health care clearinghouse;

12 (3) classify each plan offered through the clearinghouse as a  
13 comprehensive or basic health care insurance plan, based on criteria including the  
14 financial cost of the plan, including premium cost, deductible costs, and co-pay  
15 provisions;

16 (4) establish criteria for participation by residents and insurers in the  
17 Alaska health care program;

18 (5) establish an Alaska health care voucher system that provides health  
19 care insurance to each individual who meets the needs-based participation criteria set  
20 out in AS 21.54.240 or who is the beneficiary of contributions made to the fund that  
21 specify the individual as the beneficiary under AS 21.54.280(b);

22 (6) ensure that eligible individuals are enrolled in a health care  
23 insurance plan that provides essential health care services;

24 (7) prescribe the method for determining individual income for the  
25 purpose of the Alaska health care program;

26 (8) establish procedures for enrolling a participant in the Alaska health  
27 care program, including enrollment procedures describing when an individual may  
28 enroll or select a different health insurance plan offered through the Alaska health care  
29 clearinghouse; the procedures established under this paragraph must allow an  
30 individual insured by a health care insurance plan offered through the Alaska health  
31 care clearinghouse to select a different health care insurance plan from the plans

1 offered through the clearinghouse and to make that selection at least annually;

2 (9) require that participants receive complete information regarding the  
3 cost of obtaining health care insurance; and

4 (10) establish procedures for notice and hearings for a person  
5 aggrieved by a decision of the board or the Alaska health care clearinghouse;

6 (11) ensure that every Alaskan who is required to participate in the  
7 Alaska health care program is offered health care insurance that protects the insured  
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9 (b) The board may hold regular and special meetings as the board considers  
10 necessary; board meetings may be held by teleconference; meetings shall be recorded  
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12 **Sec. 21.54.230. Alaska health care clearinghouse.** (a) The Alaska health care  
13 clearinghouse is established in the division.

14 (b) The clearinghouse shall be administered by the director.

15 (c) The clearinghouse shall

16 (1) administer the Alaska health care program under the direction of  
17 the Alaska Health Care Board;

18 (2) disseminate information about health care insurance products  
19 available through the clearinghouse; and

20 (3) provide assistance in the enrollment process for a small business or  
21 an individual.

22 **Sec. 21.54.240. Essential health care services; eligibility.** (a) Every resident  
23 of the state shall participate in the Alaska health care program except a resident who

24 (1) is a beneficiary of a health care plan that provides health care  
25 benefits that meet or exceed the benefits for essential health care services;

26 (2) is eligible to be enrolled in a publicly funded medical assistance  
27 program providing services that meet or exceed the benefits required as essential  
28 health care services;

29 (3) is enrolled in Medicaid or Medicare;

30 (4) is receiving health care benefits under a health benefit plan  
31 regulated by 29 U.S.C. 1001 - 1461 (Employee Retirement Income Security Act of

1 1974) that meet or exceed the benefits for essential health care services;

2 (5) has resided in the state for less than one year; however, a person  
3 who has resided in the state for less than one year may receive services provided by  
4 the Alaska health care clearinghouse under AS 21.54.230;

5 (6) is an individual insured under an individual state plan of health  
6 insurance under the Comprehensive Health Insurance Association under AS 21.55;

7 (7) is receiving health care benefits under a medical care program of  
8 the Indian Health Service; however, a person receiving health care benefits under a  
9 medical care plan of the Indian Health Service may elect to participate in the Alaska  
10 health care program; or

11 (8) demonstrates satisfactorily to the board, under criteria established  
12 by the board, that the person has deeply held religious beliefs contrary to the Alaska  
13 health care program and the requirement to purchase health care insurance for  
14 essential health care services.

15 (b) The Alaska Health Care Board shall provide a voucher to a resident with  
16 an income that is not more than 450 percent of the most recent federal poverty  
17 guidelines, updated periodically in the Federal Register by the United States  
18 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
19 and who is only eligible for coverage through the Comprehensive Health Insurance  
20 Association (AS 21.55). A voucher authorized by this subsection must equalize the  
21 cost of insurance under the Comprehensive Health Insurance Association with the cost  
22 of purchasing a health care insurance plan that provides substantially equivalent  
23 benefits through the Alaska health care clearinghouse. For purposes of cost  
24 comparison under this subsection, the Alaska Health Care Board shall determine  
25 whether a plan provided under the Comprehensive Health Insurance Association  
26 provides substantially equivalent benefits to a health care insurance plan offered  
27 through the clearinghouse.

28 (c) A resident with an income that is not more than the most recent federal  
29 poverty guidelines, updated periodically in the Federal Register by the United States  
30 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
31 who is required to participate in the Alaska health care program shall receive private

1 health care insurance coverage for essential health care services at no cost, paid from  
2 the fund.

3 (d) A resident with an income between 100 percent and not more than 300  
4 percent of the most recent federal poverty guidelines, updated periodically in the  
5 Federal Register by the United States Department of Health and Human Services  
6 under the authority of 42 U.S.C. 9902(2), who is required to participate in the Alaska  
7 health care program shall pay premiums for health care insurance for essential health  
8 care services on a sliding scale established by the board.

9 (e) A resident with an income of 300 percent or more of the most recent  
10 federal poverty guidelines, updated periodically in the Federal Register by the United  
11 States Department of Health and Human Services under the authority of 42 U.S.C.  
12 9902(2), who is required to participate in the Alaska health care program shall pay the  
13 premium for health care insurance for essential health care services.

14 (f) A person who is an alien is not eligible for assistance under AS 21.54.200 -  
15 21.54.310 unless the person is a qualified alien, as defined under 8 U.S.C. 1641, or an  
16 alien excepted under 8 U.S.C. 1612(b). However, a qualified alien may only be  
17 eligible for assistance under AS 21.54.200 - 21.54.310 if the person is not precluded  
18 by the limited eligibility provision of 8 U.S.C. 1613.

19 **Sec. 21.54.250. Essential health care services.** For purposes of AS 21.54.200  
20 - 21.54.310, essential health care services means medical services performed for an  
21 individual covered by a health care plan for the diagnosis or treatment of  
22 nonoccupational disease or nonoccupational injury. The medical services that must be  
23 performed for an individual covered by a health care plan include, as a minimum,

- 24 (1) preventative and primary care;  
25 (2) emergency services;  
26 (3) inpatient services and hospital treatment;  
27 (4) ambulatory patient services;  
28 (5) prescription drug coverage; and  
29 (6) mental health services.

30 **Sec. 21.54.260. Alternative or additional health care services.** (a) An  
31 employer may offer health insurance coverage that meets or exceeds coverage for

1 essential health care services.

2 (b) An individual or employer may purchase health care insurance for health  
3 care services in addition to the essential health care services required under  
4 AS 21.54.200 - 21.54.310.

5 (c) If an employer does not provide a health care insurance plan for all  
6 employees or provides a health care insurance plan that meets or exceeds coverage for  
7 essential health care services but does not enroll at least 25 percent of the employer's  
8 employees in the plan or does not offer to pay at least 33 percent of the premium for  
9 health care insurance under the plan, the employer shall pay the department as  
10 follows:

11 (1) if an employer's annual gross payroll paid to employees who are  
12 required to participate in the Alaska health care plan under AS 21.54.240 is \$500,000  
13 or less, no payment is required;

14 (2) if an employer's annual gross payroll paid to employees who are  
15 required to participate in the Alaska health care plan under AS 21.54.240 is greater  
16 than \$500,000 but less than \$1,000,000, the employer shall pay one percent of the  
17 gross payroll; or

18 (3) if an employer's annual gross payroll paid to employees who are  
19 required to participate in the Alaska health care program under AS 21.54.240 is  
20 \$1,000,000 or greater, the employer shall pay two percent of the gross payroll.

21 (d) An employer that establishes a cafeteria plan under 26 U.S.C. 125 (Internal  
22 Revenue Code) that offers employees the option to elect health care insurance  
23 coverage that meets or exceeds essential health care services is not subject to the  
24 payment requirements under (c) of this section, regardless of whether an employee  
25 elects to receive the offered health care insurance.

26 (e) In this section, "essential health care services" means those services set out  
27 in AS 21.54.250.

28 **Sec. 21.54.270. Health care insurance plan; children's coverage.** (a) A  
29 health care insurance plan that is approved by the director that provides coverage for  
30 essential health care services under AS 21.54.200 - 21.54.310 and meets the other  
31 requirements established under this title may be offered through the Alaska health care

1 clearinghouse.

2 (b) A health care insurance plan offered through the Alaska health care  
3 clearinghouse may not deny enrollment to an eligible individual.

4 (c) A health care insurance plan offered through the Alaska health care  
5 clearinghouse may include

6 (1) different benefits for network or out-of-network providers;

7 (2) varied levels of copayment, coinsurance, deductible amounts, out-  
8 of-pocket maximums;

9 (3) high deductible health plans as defined by 26 U.S.C. 223(c)(2)  
10 (Internal Revenue Code); and

11 (4) special insurance terms applicable only to individuals between 18  
12 and 30 years of age.

13 (d) A health care insurance plan offered through the Alaska health care  
14 clearinghouse that covers children must provide that the coverage will continue until  
15 the earlier of the child's reaching 25 years of age or two years after the child no longer  
16 resides with the family.

17 **Sec. 21.54.280. Alaska health care fund.** (a) The Alaska health care fund is  
18 established as a separate trust fund of the state. The fund consists of

19 (1) state money appropriated to the fund;

20 (2) federal money appropriated to the fund;

21 (3) private employer and employee health care contributions or fees  
22 received by the department and appropriated to the fund;

23 (4) health care premiums received by the department and appropriated  
24 to the fund;

25 (5) other appropriations by the legislature;

26 (6) contributions appropriated to the fund from the United States  
27 government and its agencies, or from any other source, public or private, provided for  
28 purposes that are consistent with the goals of the Alaska health care program; and

29 (7) interest earnings from investments of the fund appropriated to the  
30 fund.

31 (b) Contributions may be made to the fund by an employer, employers, or an

1 individual that is specified for a particular beneficiary. If a contribution is made to the  
2 fund for the benefit of a particular beneficiary, the beneficiary shall receive a health  
3 care voucher in the amount of the contribution that may be used to purchase a health  
4 care insurance plan. Money collected under AS 21.54.260(c) is not considered made  
5 for the benefit of a particular beneficiary.

6 (c) The board may use the fund for the purpose of administering the Alaska  
7 health care program consistent with AS 21.54.200 - 21.54.310.

8 **Sec. 21.54.290. Disputes and appeals.** A person is entitled to notice and an  
9 opportunity for a hearing under regulations adopted by the Alaska Health Care Board  
10 if

11 (1) the board or the Alaska health care clearinghouse denies enrollment  
12 to the person;

13 (2) an accountable health care plan refuses to enroll an individual or  
14 fails to provide essential health care services; or

15 (3) the person is adversely affected or aggrieved by a decision of the  
16 board or the clearinghouse.

17 **Sec. 21.54.300. Reporting.** The Alaska Health Care Board shall submit a  
18 written report on the operation of the Alaska health care program to the commissioner  
19 and to the legislature by January 1 of each year. The report must include

20 (1) the number of individuals enrolled in the Alaska health care  
21 program;

22 (2) the cost savings to the state, to employers, and to health care  
23 providers;

24 (3) a measure of patient satisfaction;

25 (4) an assessment of patient access to essential health care services;

26 (5) a description of the changes or adjustments made to the program  
27 during the period covered by the report;

28 (6) a discussion of the state agencies delivering redundant services, if  
29 any, relating to health care benefits;

30 (7) an evaluation of state programs that regulate or deliver health care  
31 benefits;

1 (8) recommendations for legislative changes necessary to meet the  
2 goals of the program;

3 (9) an evaluation of and recommendations on the following topics:

4 (A) the use of electronic health records;

5 (B) children's health insurance programs;

6 (C) the effectiveness of Medicaid and the potential expansion  
7 of the Alaska Medicaid program, including a comparison between the costs of  
8 expanding the Alaska Medicaid program and the cost of providing benefits  
9 through the Alaska health care program;

10 (D) the effect of mandated benefits;

11 (E) prescription drug bargaining;

12 (F) evidence-based treatment procedures including a  
13 comparison of the use of evidence-based treatment in other states;

14 (G) the recruitment and retention of medical professionals in  
15 the state;

16 (H) expanding offerings of the University of Alaska in medical  
17 fields;

18 (I) maximizing federal funding to implement the program;

19 (J) innovations that could produce health care cost savings,  
20 including waivers under 42 U.S.C. 1315 (sec. 1115, Social Security Act),  
21 which allows experimental, pilot, or demonstration projects likely to assist in  
22 promoting the objectives of the Medicaid statute.

23 **Sec. 21.54.310. Regulations.** The Alaska Health Care Board shall adopt  
24 regulations under AS 44.62 (Administrative Procedure Act) consistent with  
25 AS 21.54.200 - 21.54.310.

26 \* **Sec. 3.** AS 21.54.500 is amended by adding new paragraphs to read:

27 (30) "alien" means a person who is not a citizen or national of the  
28 United States;

29 (31) "board" means the Alaska Health Care Board;

30 (32) "fund" means the Alaska health care fund;

31 (33) "resident" or "residency" has the meaning given in AS 01.10.055.

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

3 **TRANSITIONAL PROVISIONS.** Notwithstanding AS 21.54.210, enacted by sec. 2  
4 of this Act, the initial terms for members of the Alaska Health Care Board, except for the  
5 commissioner of health of social services who serves ex officio, are as follows:

6 (1) four members shall be appointed to serve for a term ending December 31,  
7 2009;

8 (2) four members shall be appointed to serve for a term ending December 31,  
9 2010; and

10 (3) the remaining members shall be appointed to serve for a term ending  
11 December 31, 2011.

12 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 **TRANSITIONAL PROVISIONS: REGULATIONS.** The Alaska Health Care Board  
15 established under AS 21.54.210, enacted by sec. 2 of this Act, may proceed to adopt  
16 regulations necessary to implement this Act under AS 21.54.310, enacted by sec. 2 of this  
17 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
18 before the effective date of the statutory changes.

19 \* **Sec. 6.** AS 21.54.210, 21.54.220, and 21.54.230, enacted by sec. 2 of this Act, and sec. 5  
20 of this Act take effect immediately under AS 01.10.070(c).

21 \* **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect January 1, 2009.

# Employer Costs Compared

## *Senate L+C Hearing 2/28/08*

This simplified chart gives an idea of the employer responsibilities in different states and proposals around the country.

	<b>Senate Bill 160</b>	<b>California Proposal</b>	<b>Massachusetts</b>	<b>Vermont</b>
<b>Plan Details</b>	1-2% payroll levy	Minimum investment of 1-6.5% of payroll in health benefits	\$295 dollars per year per employee	\$365 dollars per year per employee
\$20,000/ Year	\$17—33 per month	\$17-108 per month	\$25 per month	\$30 per month
\$40,000/ Year	\$33—67 per month	\$33 - 217 per month	\$25 per month	\$30 per month
\$60,000/ Year	\$50—100 per month	\$50 -325 per month	\$25 per month	\$30 per month
\$80,000/ Year	\$67—133 per month	\$67- 433 per month	\$25 per month	\$30 per month
\$100,000/ Year	\$83—167 per month	\$83 -542 per month	\$25 per month	\$30 per month
<b>Low Cost Option</b>	Establish a Section 125 plan: ~\$300 for all employees per year	No lower cost option	Lowest cost option is likely \$295/year levy, listed above	Lowest cost option is likely \$365/year levy, listed above

*Each program has different thresholds for what qualifies as providing an employee with health benefits, among other criteria. This chart provides a brief overview of usual, non-providing employer costs when the levy threshold has been reached.*

25-LS0728\T  
Bailey  
3/10/08

**CS FOR SENATE BILL NO. 160( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY**

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

**Sponsor(s): SENATORS FRENCH, Ellis, Wielechowski**

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

1 **"An Act establishing an Alaska health care program to ensure insurance coverage for**  
2 **essential health services for residents of the state; establishing the Alaska Health Care**  
3 **Board to administer the Alaska health care program and the Alaska health care fund;**  
4 **establishing the Alaska health care clearinghouse to administer the Alaska health care**  
5 **program under the direction of the Alaska Health Care Board; establishing eligibility**  
6 **standards and premium assistance for persons with low income; creating the Alaska**  
7 **health care fund; providing for review of actions and reporting requirements related to**  
8 **the health care program; and providing for an effective date."**

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

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

12 **FINDINGS; PURPOSE. (a) The legislature finds that**

- 1 (1) the current health care system is unsustainable;
- 2 (2) improving and protecting the health of Alaskans must be a primary goal of  
3 the state;
- 4 (3) all Alaskans should have access to essential health care services that are  
5 affordable, that are based on publicly debated criteria, and that consider the well-being of  
6 individuals across their life spans;
- 7 (4) Alaska has an economic interest in ensuring equitable financing of  
8 essential health care for Alaskans who do not have access to basic health care;
- 9 (5) health care policies should emphasize public health and encourage the use  
10 of quality service and evidence-based treatment that are appropriate and safe and that  
11 discourage over-treatment;
- 12 (6) health care providers and informed patients must be the primary decision  
13 makers who are accountable for an individual's health;
- 14 (7) health care funding should be explicit, predictable, and economically  
15 sustainable;
- 16 (8) an economically sustainable health care system requires that providers  
17 receive fair and adequate compensation;
- 18 (9) health care must be balanced with other programs that also affect health;  
19 and
- 20 (10) health care must account for the allocation of resources and the human  
21 consequences of funding decisions.

22 (b) The purpose of this Act is to address the findings and concerns listed in (a) of this  
23 section by creating the Alaska health care program.

24 \* **Sec. 2.** AS 21.54 is amended by adding new sections to read:

25 **Article 2A. Alaska Health Care Program.**

26 **Sec. 21.54.200. Alaska health care program.** The Alaska health care program  
27 is established to

28 (1) ensure that residents of the state have access to affordable health  
29 care insurance;

30 (2) require that residents of the state have, at a minimum, insurance  
31 covering essential health care services;

1 (3) reduce unsustainable health care cost increases;

2 (4) establish a system of health care insurance that integrates public  
3 involvement and oversight, consumer choice, and competition within the private  
4 health care insurance market;

5 (5) use models of health care insurance benefits, service delivery, and  
6 payments that control costs and overuse, emphasizing preventative care and chronic  
7 disease management within a primary care environment; and

8 (6) provide services for humane and dignified end-of-life care.

9 **Sec. 21.54.210. Alaska Health Care Board.** (a) The Alaska Health Care  
10 Board is established in the division to manage the Alaska health care program.

11 (b) The board shall consist of 13 members, including 12 members appointed  
12 by the governor, subject to confirmation by the legislature, and the commissioner of  
13 health and social services or the commissioner's designee, serving ex officio. The  
14 members of the board appointed by the governor must include

15 (1) one representative who is a licensed insurance producer;

16 (2) one representative from a health insurance company licensed to  
17 transact health care insurance in the state;

18 (3) two representatives of the business community other than health  
19 care insurers, one representing large businesses, and one representing small  
20 businesses;

21 (4) one representative each from two Alaska hospitals;

22 (5) one representative of a labor organization;

23 (6) two physicians licensed in Alaska;

24 (7) two health care consumer advocates; and

25 (8) one registered nurse.

26 (c) Except for the commissioner or the commissioner's designee, who serves  
27 ex officio, each board member serves for a term of three years beginning on January 1  
28 and until a successor has been appointed. A member is eligible for reappointment.

29 (d) If there is a vacancy, the governor shall make an appointment, effective  
30 immediately, for the balance of the unexpired term.

31 (e) Members of the board are entitled to per diem and transportation costs

1 under AS 39.20.180.

2 (f) The board shall select a member to serve as chair and a member to serve as  
3 vice-chair for a term and with duties and powers necessary to perform their functions.

4 (g) A majority of the board constitutes a quorum for transacting business.

5 **Sec. 21.54.220. Powers and duties of the Alaska Health Care Board. (a)**

6 The Alaska Health Care Board shall

7 (1) administer, as a fiduciary, the Alaska health care fund established  
8 under AS 21.54.280 in accordance with the Alaska health care program established by  
9 AS 21.54.200 - 21.54.310;

10 (2) establish types or categories of health care insurance plans offered  
11 through the Alaska health care clearinghouse;

12 (3) classify each plan offered through the clearinghouse as a  
13 comprehensive or basic health care insurance plan, based on criteria including the  
14 financial cost of the plan, including premium cost, deductible costs, and co-pay  
15 provisions;

16 (4) establish criteria for participation by residents and insurers in the  
17 Alaska health care program;

18 (5) establish an Alaska health care voucher system that provides health  
19 care insurance to each individual who meets the needs-based participation criteria set  
20 out in AS 21.54.240 or who is the beneficiary of contributions made to the fund that  
21 specify the individual as the beneficiary under AS 21.54.280(b);

22 (6) ensure that eligible individuals are enrolled in a health care  
23 insurance plan that provides essential health care services;

24 (7) prescribe the method for determining individual income for the  
25 purpose of the Alaska health care program;

26 (8) establish procedures for enrolling a participant in the Alaska health  
27 care program, including enrollment procedures describing when an individual may  
28 enroll or select a different health insurance plan offered through the Alaska health care  
29 clearinghouse; the procedures established under this paragraph must allow an  
30 individual insured by a health care insurance plan offered through the Alaska health  
31 care clearinghouse to select a different health care insurance plan from the plans

1 offered through the clearinghouse and to make that selection at least annually;

2 (9) require that participants receive complete information regarding the  
3 cost of obtaining health care insurance; and

4 (10) establish procedures for notice and hearings for a person  
5 aggrieved by a decision of the board or the Alaska health care clearinghouse;

6 (11) ensure that every Alaskan who is required to participate in the  
7 Alaska health care program is offered health care insurance that protects the insured  
8 from severe financial hardship caused by the cost of receiving medical care.

9 (b) The board may hold regular and special meetings as the board considers  
10 necessary; board meetings may be held by teleconference; meetings shall be recorded  
11 and made available on request.

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21 an individual.

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23 of the state shall participate in the Alaska health care program except a resident who

24 (1) is a beneficiary of a health care plan that provides health care  
25 benefits that meet or exceed the benefits for essential health care services;

26 (2) is eligible to be enrolled in a publicly funded medical assistance  
27 program providing services that meet or exceed the benefits required as essential  
28 health care services;

29 (3) is enrolled in Medicaid or Medicare;

30 (4) is receiving health care benefits under a health benefit plan  
31 regulated by 29 U.S.C. 1001 - 1461 (Employee Retirement Income Security Act of

1 1974) that meet or exceed the benefits for essential health care services;

2 (5) has resided in the state for less than one year; however, a person  
3 who has resided in the state for less than one year may receive services provided by  
4 the Alaska health care clearinghouse under AS 21.54.230;

5 (6) is an individual insured under an individual state plan of health  
6 insurance under the Comprehensive Health Insurance Association under AS 21.55;

7 (7) is receiving health care benefits under a medical care program of  
8 the Indian Health Service; however, a person receiving health care benefits under a  
9 medical care plan of the Indian Health Service may elect to participate in the Alaska  
10 health care program; or

11 (8) demonstrates satisfactorily to the board, under criteria established  
12 by the board, that the person has deeply held religious beliefs contrary to the Alaska  
13 health care program and the requirement to purchase health care insurance for  
14 essential health care services.

15 (b) The Alaska Health Care Board shall provide a voucher to a resident with  
16 an income that is not more than 450 percent of the most recent federal poverty  
17 guidelines, updated periodically in the Federal Register by the United States  
18 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
19 and who is only eligible for coverage through the Comprehensive Health Insurance  
20 Association (AS 21.55). A voucher authorized by this subsection must equalize the  
21 cost of insurance under the Comprehensive Health Insurance Association with the cost  
22 of purchasing a health care insurance plan that provides substantially equivalent  
23 benefits through the Alaska health care clearinghouse. For purposes of cost  
24 comparison under this subsection, the Alaska Health Care Board shall determine  
25 whether a plan provided under the Comprehensive Health Insurance Association  
26 provides substantially equivalent benefits to a health care insurance plan offered  
27 through the clearinghouse.

28 (c) A resident with an income that is not more than the most recent federal  
29 poverty guidelines, updated periodically in the Federal Register by the United States  
30 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
31 who is required to participate in the Alaska health care program shall receive private