

CS FOR SENATE BILL NO. 61(HSS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH AND SOCIAL SERVICES COMMITTEE

Offered: 3/16/09

Referred: Labor and Commerce, Finance

Sponsor(s): SENATORS FRENCH, Ellis

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, the Alaska Health Care Board to
3 administer the Alaska health care program and the Alaska health care fund, the Alaska
4 health care clearinghouse to administer the Alaska health care program under the
5 direction of the Alaska Health Care Board, and eligibility standards and premium
6 assistance for health care coverage of persons with low incomes; 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;

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; and

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 enrolled in a publicly funded medical assistance program
27 providing services that meet or exceed the benefits required as essential health care
28 services;

29 (3) is enrolled in Medicaid or Medicare;

30 (4) is covered under a health benefit plan offered in the group market;

31 (5) is an individual insured under an individual state plan of health

1 insurance under the Comprehensive Health Insurance Association under AS 21.55;

2 (6) is receiving health care benefits under a medical care program of
3 the Indian Health Service; however, a person receiving health care benefits under a
4 medical care plan of the Indian Health Service may elect to participate in the Alaska
5 health care program;

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

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

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

26 (c) Except as provided in (g) of this section, a resident with an income that is
27 not more than the most recent federal poverty guidelines, updated periodically in the
28 Federal Register by the United States Department of Health and Human Services
29 under the authority of 42 U.S.C. 9902(2), who is required to participate in the Alaska
30 health care program shall receive private health care insurance coverage for essential
31 health care services at no cost, paid from the fund.

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

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

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

18 (g) A person who is exempt from being required to participate in the Alaska
 19 health care program under

20 (1) (a)(1) - (5) of this section, but who is eligible to participate in a
 21 program identified in (a)(1) - (5) of this section, may not receive benefits under (b) -
 22 (d) of this section.

23 (2) (a)(7) of this section may not receive benefits under (b) - (d) of this
 24 section until the person has resided in the state for one year or more.

25 **Sec. 21.54.250. Essential health care services.** For purposes of AS 21.54.200
 26 - 21.54.310, essential health care services means medical services performed for an
 27 individual covered by a health care plan for the diagnosis or treatment of
 28 nonoccupational disease or nonoccupational injury. The medical services that must be
 29 performed for an individual covered by a health care plan include, as a minimum,

30 (1) preventative and primary care;

31 (2) emergency services;

- 1 (3) inpatient services and hospital treatment;
- 2 (4) ambulatory patient services;
- 3 (5) prescription drug coverage; and
- 4 (6) mental health services.

5 **Sec. 21.54.260. Alternative or additional health care services.** (a) An
6 employer may offer health insurance coverage that meets or exceeds coverage for
7 essential health care services.

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

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

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

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

24 (3) if an employer's annual gross payroll paid to employees who are
25 required to participate in the Alaska health care program under AS 21.54.240 is
26 \$1,000,000 or greater, the employer shall pay two percent of the gross payroll.

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

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

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

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

10 (c) A health care insurance plan offered through the Alaska health care
11 clearinghouse may include

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

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

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

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

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

23 (e) Notwithstanding AS 21.54.110(a), a health care insurance plan offered
24 through the Alaska health care clearinghouse may not exclude coverage for a
25 preexisting condition that

26 (1) relates to a condition, regardless of cause, for which medical
27 advice, diagnosis, care, or treatment was recommended or received more than two
28 years before the enrollment date;

29 (2) considers genetic information as a condition for which a
30 preexisting exclusion may be imposed in the absence of a diagnosis of the condition
31 related to the genetic information;

1 (3) extends more than 12 months after the enrollment date; or

2 (4) excludes a condition relating to pregnancy.

3 (f) A period of a preexisting condition exclusion permissible under (e) of this
 4 section must be reduced by the aggregate periods of creditable coverage, if any, as
 5 determined under AS 21.54.120, including creditable coverage resulting from
 6 participation in a plan offered through the Alaska health care clearinghouse, or a plan
 7 described in AS 21.54.240(a)(1) - (6). The aggregate of periods of creditable coverage
 8 is determined by adding all periods of creditable coverage before the enrollment date,
 9 excluding periods of creditable coverage before a continuous break in coverage of
 10 more than 90 days. This subsection does not apply if an individual's most recent
 11 period of creditable coverage ended on a date more than 90 days before the enrollment
 12 date. This subsection does not preclude application of a waiting period to all new
 13 enrollees under a health care insurance plan.

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

16 (1) state money appropriated to the fund;

17 (2) federal money appropriated to the fund;

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

20 (4) health care premiums received by the department and appropriated
 21 to the fund;

22 (5) other appropriations by the legislature;

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

26 (7) interest earnings from investments of the fund appropriated to the
 27 fund.

28 (b) Contributions may be made to the fund by an employer, employers, or an
 29 individual that is specified for a particular beneficiary. If a contribution is made to the
 30 fund for the benefit of a particular beneficiary, the beneficiary shall receive a health
 31 care voucher in the amount of the contribution that may be used to purchase a health

1 care insurance plan. Money collected under AS 21.54.260(c) is not considered made
2 for the benefit of a particular beneficiary.

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

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

8 (1) the board or the Alaska health care clearinghouse denies enrollment
9 to the person;

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

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

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

17 (1) the number of individuals enrolled in the Alaska health care
18 program;

19 (2) the cost savings to the state, to employers, and to health care
20 providers;

21 (3) a measure of patient satisfaction;

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

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

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

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

29 (8) recommendations for legislative changes necessary to meet the
30 goals of the program;

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

- 1 (A) the use of electronic health records;
- 2 (B) children's health insurance programs;
- 3 (C) the effectiveness of Medicaid and the potential expansion
- 4 of the Alaska Medicaid program, including a comparison between the costs of
- 5 expanding the Alaska Medicaid program and the cost of providing benefits
- 6 through the Alaska health care program;
- 7 (D) the effect of mandated benefits;
- 8 (E) prescription drug bargaining;
- 9 (F) evidence-based treatment procedures including a
- 10 comparison of the use of evidence-based treatment in other states;
- 11 (G) the recruitment and retention of medical professionals in
- 12 the state;
- 13 (H) expanding offerings of the University of Alaska in medical
- 14 fields;
- 15 (I) maximizing federal funding to implement the program;
- 16 (J) innovations that could produce health care cost savings,
- 17 including waivers under 42 U.S.C. 1315 (sec. 1115, Social Security Act),
- 18 which allows experimental, pilot, or demonstration projects likely to assist in
- 19 promoting the objectives of the Medicaid statute.

20 **Sec. 21.54.310. Regulations.** The Alaska Health Care Board shall adopt

21 regulations under AS 44.62 (Administrative Procedure Act) consistent with

22 AS 21.54.200 - 21.54.310.

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

24 (30) "alien" means a person who is not a citizen or national of the

25 United States;

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

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

28 (33) "resident" has the meaning given in AS 01.10.055.

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

30 read:

31 TRANSITIONAL PROVISIONS. Notwithstanding AS 21.54.210, enacted by sec. 2

1 of this Act, the initial terms for members of the Alaska Health Care Board, except for the
2 commissioner of health of social services who serves ex officio, are as follows:

3 (1) four members shall be appointed to serve for a term ending December 31,
4 2010;

5 (2) four members shall be appointed to serve for a term ending December 31,
6 2011; and

7 (3) the remaining members shall be appointed to serve for a term ending
8 December 31, 2012.

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

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

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

18 * **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect January 1, 2010.