

AIR AMBULANCE SERVICE PROVIDERS:  
NOTICE OF PROPOSED REGULATIONS CHANGES  
DIVISION OF INSURANCE

BRIEF DESCRIPTION

The Division of Insurance proposes to adopt regulation changes in Title 3 of the Alaska Administrative Code relating to air ambulance service providers and air ambulance membership agreements. The proposed regulations establish registration, bonding and records requirements for air ambulance service providers, registration and renewal registration fees, and provisions relating to the air ambulance reinstatement, suspension, or revocation of registration; trade practices, and membership agreements.

The Division of Insurance proposes to adopt regulation changes in Title 3 of the Alaska Administrative Code, dealing with air ambulance services including the following:

3 AAC 31.060 is amended to establish fees for air ambulance service provider (provider) biennial registration applications and renewal biennial registration applications.

New sections are proposed as follows:

3 AAC 31.600 establishes the term for initial biennial registration periods and makes clear providers are responsible for knowing when their registration period ends and when a renewal registration application is required.

3 AAC 31.610 identifies the information required in registration applications including identifying information, biographical statements and exceptions to disclosure, plan of operation, plan demonstrating actions the applicant would take if it ceased operations, membership agreements, membership fees and ratios, agreements directly or indirectly associated with membership agreements, certification under AS 18.08.082(a)(3), and criteria utilized in determining membership eligibility. This provision also requires updating of information and describes what information is confidential.

3 AAC 31.620 requires providers to post a bond with the director conditioned upon the provider's faithful fulfillment of its membership agreements. After two years of provider operations in the state, the director will surrender the bond. This provision does not apply to providers who provide satisfactory evidence of having been in operation in this state for at least two years.

3 AAC 31.630 provides a grace period in which a provider can continue to transact new business after its registration lapses. The provision also sets forth causes for which the director after a hearing may suspend or revoke a registration. The provision also includes how the period of time for a suspension is determined and provider requirements during the suspension.

3 AAC 31.640 establishes trade practices including, if applicable, how medical necessity is to be determined, protection of consumer financial and health information from disclosure, required and prohibited provisions in membership agreements, a description of what constitutes acceptable insurance coverage if eligibility for a membership agreement is contingent upon the applicant's insurance coverage, compliance with state unfair claims settlement act or practices regulations, and a requirement that membership fees or other consideration be reasonable and in relation to the benefit provided under a membership agreement. The fee must in aggregate reasonably approximate the amounts that members would expect to pay in the absence of the membership agreement over the period of time covered by the membership agreement.

3 AAC 31.650 requires membership agreements to be filed and approved by the director before issued or renewed; to be in compliance with 3 AAC 31.205, 3 AAC 31.215(c) – 3 AAC 31.215(h), and 3 AAC 31.250. The provision also provides a membership agreement may be delivered consistent with 3 AAC 31.250.

3 AAC 31.690 defines "membership agreement" and "provider" the same way those terms are defined in AS 21.61.110.

3 AAC 31.900 is amended to define "department" to mean the Department of Commerce, Community, and Economic Development.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed action, by submitting written comments to the Division of Insurance; Attention: Marty Hester, P.O. Box 110805, Juneau, AK 99811-0805 or by e-mail to [martin.hester@alaska.gov](mailto:martin.hester@alaska.gov); or by fax to (907) 465-3422. Comments may also be submitted through the Alaska Online Public Notice System at <http://aws.state.ak.us/OnlinePublicNotices>. All comments must be received **no later than 5:00 p.m., Alaska Daylight Time, May 1, 2015**.

Oral or written comments also may be submitted at a hearing to be held on **Friday, April 17, 2015** in conference room B which is on the ninth floor of the State Office Building located at 333 Willoughby Ave., Juneau, Alaska. The hearing will be held from **9:00 a.m. to 10:00 a.m., ADT**, and may be extended to accommodate those present before 10:00 a.m. who may not have had the opportunity to comment. If you are unable to attend the meeting in person and would like to participate by teleconference, please call 1-800-315-6338 and enter the access code 42070 followed by # (pound sign).

You may submit written questions relevant to the proposed action to Chip Wagoner, Regulations Specialist II, Division of Insurance, P.O. Box 110805, Juneau, AK 99811-0805 or by e-mail to [chip.wagoner@alaska.gov](mailto:chip.wagoner@alaska.gov). **The questions must be received at least 10 days before the end of the public comment period.** The division will aggregate its response to substantially similar questions and make the questions and response available on the division's website at <http://commerce.alaska.gov/dnn/ins/HearingsMeetingsandNotices.aspx> or on the Alaska Online Public Notice System. The division may, but is not required to, answer written questions received after the 10-day cut-off date and before the end of the comment period.

If you are a person with a disability who needs a special accommodation in order to participate in the process, please contact Tonya Essary at (907) 465-2597 or TDD (907) 465-5437 no later than **April 14, 2015** to ensure that any necessary accommodations can be provided.

For a copy of the proposed regulation changes, please go to <http://commerce.alaska.gov/dnn/ins/HearingsMeetingsandNotices.aspx>, or contact the Division of Insurance at (907) 269-7900 in Anchorage or (907) 465-2515 in Juneau.

After the public comment period ends, the Division of Insurance will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. The language of the final regulations may be different from that of the proposed regulations. **YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTERESTS COULD BE AFFECTED.** Written comments and questions received are public records and are subject to public inspection.

**Statutory Authority:** AS 21.06.060; AS 21.06.090; AS 21.36.355; AS 21.61.105; AS 21.61.106; AS 21.61.109

**Statutes Being Implemented, Interpreted, or Made Specific:** AS 21.61.100 – AS 21.61.110.

**Fiscal Information:** This action is not expected to require an increased appropriation.

DATE: March 13<sup>th</sup>, 2015.

A handwritten signature in black ink, appearing to read "Lori Wing-Heier", written over a horizontal line.

Lori Wing-Heier  
Director of Insurance

AIR AMBULANCE SERVICES:  
ADDITIONAL REGULATIONS NOTICE INFORMATION  
(AS 44.62.190(d))

1. Adopting agency: Division of Insurance, Department of Commerce, Community, and Economic Development
2. General subject of regulation: 3 AAC 31 is being amended to provide for: 1) air ambulance service provider registration, registration and registration renewal fees, registration, bonding, and records requirements; 2) reinstatement, suspension, or revocation of registration; 3) trade practices; and 4) membership agreements;
3. Citation of regulation (may be grouped): 3 AAC 31.600 – 3 AAC 31.690
4. Department of Law file number, if any: \_\_\_\_\_
5. Reason for the proposed action:
  - Compliance with federal law or action (identify): \_\_\_\_\_
  - Compliance with new or changed state statute
  - Compliance with Federal or state court decision (identify) \_\_\_\_\_
  - Development of program standards
  - Other (identify): \_\_\_\_\_
6. Appropriation/Allocation: \_\_\_\_\_
7. Estimated annual costs in the aggregate to comply with the proposed action to:  
Private Persons: Persons desiring to sell, solicit, or negotiate air ambulance membership agreements in this state will be required to register with the division and pay an initial registration fee of \$1,000. The biennial renewal fee would be \$200. Fulfilling the other registration requirements, including audited financial statements and recordkeeping, is not expected to incur costs in excess of normal business operations. An estimate of the cost of a two-year audit was obtained from a manager of a large Anchorage Certified Public Accounting firm. In the case of a company that had no prior annual audits, the initial year audit cost could be \$60,000 - \$80,000 depending on variables such as complexity of the financial transactions, internal accounting controls and financing profile. Materiality of financial statement line items is a significant factor in the extent of the audit procedures necessary to gain adequate assurance that contributes to an unqualified audit opinion. The second year audit cost is typically lower and could be \$40,000 - \$50,000. A smaller Certified Public Accounting firm would commonly cost 10% - 20% less. Provider applicants who do not provide satisfactory evidence of being in operation in this state for at least two years at the time of initial application will have an additional cost of obtaining a \$100,000 bond which is estimated to be \$2,000 - \$5000 depending on variables including the size and financial strength of the entity and other qualitative factors on a case by case basis. The aggregate bond cost is estimated at this time to be zero as those air ambulance providers the division is aware of have all been operating in this state for at least two years. The remaining costs are estimated to be \$4,000 which includes the division's estimate of the cost of completing the registration applications. The total aggregate annual costs are estimated to be approximately \$178,350.

Other State Agencies: none are anticipated

Municipalities: none are anticipated

8. Cost of implementation to the state agency and available funding (in thousands of dollars):

	Initial Year FY <u>15</u>	Subsequent Years
Operating Cost	\$ <u>0</u>	\$ <u>0</u>
Capital Cost	\$ <u>0</u>	\$ <u>0</u>
1002 Federal receipts	\$ <u>0</u>	\$ <u>0</u>
1003 General fund match	\$ <u>0</u>	\$ <u>0</u>
1004 General fund	\$ <u>0</u>	\$ <u>0</u>
1005 General fund/ program	\$ <u>0</u>	\$ <u>0</u>
1037 General fund/ mental health	\$ <u>0</u>	\$ <u>0</u>
Other	\$ <u>0</u>	\$ <u>0</u>

9. The name of the contact person for the regulations:

Name: Marty Hester

Title: Deputy Director

Address: Division of Insurance

P.O. Box 110805, Juneau, AK 99811-0805

Telephone: (907) 465-2515

E-mail address martin.hester@alaska.gov

10. The origin of the proposed action:

Staff of state agency

Federal government

General public

Petition for regulation change

Other (identify) \_\_\_\_\_

11. Date: 3/12/15

Prepared by: Chip Wagoner

Name: Chip Wagoner

Title: Regulations Specialist II

Telephone: (907) 465-8486