

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:

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Title: Deputy Director  
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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  
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