



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION OF INSURANCE

HB 374 – Reinsurance Program; Health Insurance Waivers
presented to
Senate Finance

Director Lori Wing-Heier

May 31, 2016



Division of Insurance

The mission of the Division of Insurance is to regulate the insurance industry to protect Alaskan consumers.

- The division has a statutory responsibility to review and approve rules, forms and rates based on an analysis of whether they are excessive, inadequate, or unfairly discriminatory.
- The division does not have statutory authority to deny rates because of the financial impact to the consumer.



Timeline - *Update*

- September 2014 – Premera's average increase 37.2%.
Moda's average increase was 27.4%
- August 2015 – Premera's average increase was 38.7%.
Moda's average rate increase was 39.6%
- October 1, 2015 – Letter received that the 2014 risk corridor payments will be paid at 12.6% requests
- **May 2, 2016 – Moda announces exit from Alaska's individual market beginning January 1st, 2017**
- **January 1, 2017 – State of Alaska has one insurer in the individual market on/off the federally facilitated exchange, impacting 23,000+ Alaskans**



ADN to Governing; Alaska made the News...

HEALTH & HUMAN SERVICES

Another Health Insurer Abandons Alaska

BY TRIBUNE NEWS SERVICE | MAY 3, 2016



By Laurel Andrews



Moda Health will exit Alaska's individual insurance market next year, the company announced Monday, leaving only one health insurance provider in the state's market that, so far, has been defined by drastic annual rate increases for consumers and big losses for insurance companies.



Moda will focus on its other group and individual plans in the state, it said in a release. It may consider returning in the future but "the market requires significant reform in order to be sustainable," the company said.



The exit applies only to Moda's 14,000 customers who have health insurance plans on the individual marketplace. The company's other medical and dental plans are not affected by the decision, the company wrote.

"Obviously this is not good news," Alaska Division of Insurance Director Lori Wing-Heier said after the announcement.

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UnitedHealthcare's Exit Leaves Monopolies in Many Places

Why Health Insurers Are Closing in So Many States



Even the Wall Street Journal

By [ANNA WILDE MATHEWS](#) and [STEPHANIE ARMOUR](#)

 **217 COMMENTS**

May 15, 2016 7:47 p.m. ET

Health-insurance customers in a growing number of mostly rural regions will have just one insurer's plans to choose from on the Affordable Care Act's exchanges next year, as some companies pull out of unprofitable markets.

The entire states of Alaska and Alabama are expected to have only one insurer on the health law's signature online marketplaces next year, according to state regulators. The same is expected to be true in parts of several other states, including Kentucky, Tennessee, Mississippi, Arizona and Oklahoma, state regulators said.



Washington

THE SPOKESMAN-REVIEW

Wed., May 25, 2016

63° ☀

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THURSDAY, MAY 12, 2016, 5:15 P.M.

Premiera to stop offering individual health plans in some Eastern Washington counties



Three Rs

- **Risk Adjustment** transfers money among insurers to adjust for the possibility that some insurers may get more or less than their proportionate share of costly enrollees. Risk Adjustment is only:
 - ✓ Applied to the individual and small group market; and
 - ✓ Permanent program to help stabilize the costs of the ACA
- **Reinsurance** is one of the taxes associated with the ACA and is applied against health insurance policies and employer group health plans. Proceeds are used to provide the individual market plans with additional subsidies for higher-cost enrollees. The program sunsets in 2016
 - ✓ Attachment point in 2014 is \$45,000 but will increase to \$70,000 in 2015
 - ✓ Coinsurance decreases from 80% in 2014 to 50% in 2015
- **Risk Corridor** provides a range for profits or losses for insurance on the FFM. If an insurer has higher than expected profits, the federal government will “claw back” some of the premiums. Conversely, if an insurer has higher than expected losses, the federal government will pay the insurer additional subsidies to offset those losses. This program sunsets in 2016



We are working to keep the market solvent

Premera gets more time to file rates as fix awaits special session

By: [DJ Summers](#)

Alaska Journal of Commerce

Posted: Wed, 05/11/2016 - 4:42pm

Addressing Alaska's broken individual health insurance market will likely have to take place in special session of the Legislature, and in the meantime the state's last provider has been given extra time to calculate its rate increase for 2017.

Premera Blue Cross — Alaska's sole remaining individual insurance provider following the [May 1 announcement by Moda Health](#) that it will depart the market in 2017 — says it will stay in the Alaska market next year.

"Premera is committed to the Alaska market and will continue to offer individual coverage to Alaskans through the federal marketplace," said Premera spokesperson Melanie Coon in a statement.

Premera was due to release a rate schedule on May 11, but the circumstances will push that date back to this summer, Coon said. Because Moda dropped from Alaska's market, Premera, which covers 10,000 people in the state, has a new deadline to renew premium rate estimates to include the rates Moda charged its 14,000 customers.

"We've requested from the (Division of Insurance) Moda's numbers so we can kind of sharpen our pencils," said Coon. "We have until July."



Funding Mechanisms

- Version A of HB 374 funded the reinsurance program by amending statute to allow for an assessment to insurers based on total covered lives. This funding mechanism would have increased costs for organizations and businesses purchasing stop loss insurance by approximately 20 dollars per covered life, and met with strong opposition by those impacted, such as school districts.
- In version P, the program is funded by creating the Alaska comprehensive health insurance fund and separately accounting for insurance premium tax revenues which would then be appropriated by the Legislature to pay for ACHIA. Previously, the premium taxes lapsed to the general fund after being collected.



Premium Taxes

Annual collections of premium taxes for the prior three fiscal years are: \$52 million in FY2013; \$55 million in FY2014; and \$64 million in FY2015.

- *AS.21.09.210 – Tax on insurers*
- *AS 21.33.061 – Independently procured insurance; premium tax*
- *AS 21.34.180 – Surplus lines tax*
- *AS 21.66.110 – Annual tax on title insurance premiums*



Actuarial Analysis

CC Set 2

Paid Claims	237,774,342
Claims Removed	53,872,151
Remaining Claims	185,845,858
Percentage Remaining	78.2%
# Claimants	29,869
Claimants Removed	495
Remaining Claimants	29,374
Percentage Remaining	98.3%

HCC #	HCC
26	Mucopolysaccharidosis
70	Sickle Cell Anemia (Hb-SS)
112	Quadriplegic Cerebral Palsy
66	Hemophilia
75	Coagulation Defects and Other Specified Hematological Disorders
184	End Stage Renal Disease
118	Multiple Sclerosis
251	Stem Cell, Including Bone Marrow, Transplant Status/Complications
115	Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy
10	Non-Hodgkin's Lymphomas and Other Cancers and Tumors
9	Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia
8	Metastatic Cancer
247	Premature Newborns, Including Birthweight 2000-2499 Grams



2017 Rate Filings

- Premera must file rates with DOI by 7/15/16
- Rates must be approved 8/23/16
- Open enrollment begins 11/1/16
- Is then effective 1/1/17
- In order to include the reinsurance program in the 2017 rate filings, the insurer must have two weeks notice of the amount (if any) appropriated under HB374



Section 1332 Innovation Waiver

Alaska should explore a Section 1332 Innovation Waiver to allow the state to withdraw from the ACA if, *and subject to many provisions*, the state could provide the same benefits to consumers without any additional cost to the federal government.

States that are working on 1332:

- Colorado
- Minnesota
- Hawaii
- Massachusetts



Section 1332 Innovation Waiver

- Provide coverage at least as comprehensive as under the ACA
- Provide coverage and protection against excessive out-of-pocket expenditures at least as affordable as that provided under the ACA
- Cover a number of residents comparable to the number who would be covered under the ACA
- Not increase the federal deficit
- Must be authorized by the State Legislature
- Developed through a public process
- A state that is granted an innovation waiver that restricts access to premium tax credits, cost-sharing reduction premiums or the small employer tax credit can be paid the amounts that would have been paid to its residents under these programs to finance its waiver program



Conclusion

Questions?