THE STATE of ALASKA

GOVERNOR BILL WALKER

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Division of Insurance – Healthcare Insurance presented to House Labor & Commerce

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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.

Frequently Used Terms and Acronyms

- ACA - Affordable Care Act
- APTC - Advance Premium Tax Credit (subsidy for qualifying individuals)
- CCIIO - Center for Consumer Information and Insurance Oversight
- CMS - Centers for Medicare and Medicaid Services
- Essential Health Benefits - Ten (10) mandatory benefits that each Qualified Health Plan under the ACA must contain (exceptions for grandfathered plans)
- FFM - Federally Facilitated Marketplace
- Grandfathered Plans - Health plans enforce prior to March 23, 2010
- HHS - United States Department of Health and Human Services
- Medical Loss Ratio - Proportion of premium revenues spent on clinical services and quality improvement
- Non-Grandfathered Plans - Health Plans placed after March 23, 2010
- PPACA - Patient Protection and Affordable Care Act (full name of legislation)
- QHP - Qualified Health Plan (compliant)
- Three Rs - Risk Assessment, Risk Corridor and Reinsurance

Progression of ACA plan requirements

Prior to March 23, 2010	March 23, 2010 to January 1, 2014	January 1, 2014 and forward
Health Insurance Plans written prior to March 23, 2010 are considered grandfathered and not subject to all of the ACA criteria.	Health Insurance Plans written after March 23, 2010 and before January 1, 2014 are considered non-grandfathered and must be rewritten to comply with ACA as of January 1, 2014. This requirement was amended by the original transition and the extended transition which allows these plans to remain as-is until October 2016 provided insurers will renew.	Health Insurance Plans written after January 1, 2014 must be ACA compliant. Individual market non-grandfathered plans will sunset in Alaska on December 31, 2016. Small market non-grandfathered plans may continue until June 30th, 2017 or TBD Continuous changes and updates as needed /recommended by states and others

Timeline

- March 23, 2010 – Patient Protection and Affordable Care Act signed by President Obama
- Fall of 2013 – Many Americans receive cancellation notices on non-grandfathered plans effective January 1st, 2014. These plans are to be rewritten as QHPs
- October 1, 2013 – Open enrollment into the ACA begins for millions of Americans
- November 2013– President Obama acknowledges substantial issues with the FFM and provides states the option to allow insurers to renew or rewrite the non-grandfathered plans
- November 2013 – President Obama announces the online small business insurance marketplace would be delayed one-year until November 2014
- December 2013 – State of Alaska issues Bulletin 13-09 allowing insurers to cancel and rewrite non-grandfathered plans effective Dec 31st, 2013 for a period of one year. Moda and Premera accepted and allowed for early renewals (others, including Aetna, Time and Celtic did not)
- March 5, 2014 – Due to high costs of QHPs and continued substantial issues with the FFM, President Obama provides states the option to allow insurers to renew non-grandfathered plans until October 2016
- March 28, 2014 – State of Alaska issues Bulletin 14-03 allowing insurers (Moda and Premera) to continue renewing the non-grandfathered plans until October 2016
- June 2, 2014 – Due to expected cost and administrative burden to small employers, State of Alaska petitions HHS to opt out of employee choice for the FFM SHOP for 2015
- June 27, 2014 – Insurers file their 2015 FFM rates for individual and small employers
- September 2014 – Individual market rate filings are approved. Premera's average increase was 37.2% and Moda's average rate increase was 27.4%
- April 2015 - Insurers file their 2016 FFM rates for individual and small employers
- August 2015 – Individual market rate filings are approved. Premera's average increase was 38.7% and Moda's average rate increase was 39.6%
- October 1, 2015 – Letter received from Kevin Counihan, CEO/Director of Center for Consumer Information & Insurance Oversight that the 2014 risk corridor payments will be paid at 12.6% requests

Looking back at the numbers

2014	Individual	Small Group
Premera	13,327	13,541
Moda	8,424	746
Time/John Alden/Assurant	1,002	1,846
All Other	387	2,523
Total	23,140	18,673

2015	Individual	Small Group
Premera	12,457	13,713
Moda	14,825	2,749
Time/John Alden/Assurant	1,430	3,447
All Other	295	1,736
Total	29,007	21,645

Includes Grandfathered, Non-Grandfathered and ACA compliant plans.

Individual Market

2014	Grandfathered	Non-Grandfathered	ACA QHPs
Premera	2,837	3,410	7,080
Moda	0	828	7,596
Aetna	242	0	103
Assurant	0	0	1,002
Total	3,079	4,238	15,781

2015	Grandfathered	Non-Grandfathered	ACA QHPs
Premera	2,274	2,345	7,838
Moda	0	0	14,825
Aetna	192	0	103
Assurant	0	0	1,430
Total	2,466	2,345	24,196

Small Group Market

2014	Grandfathered	Non-Grandfathered	ACA QHPs
Premera	4,594	7,280	1,667
Moda	0	542	204
Aetna	0	805	840
Assurant	0	0	1,846
UHC	0	0	895
Total	4,594	8,627	5,452

2015	Grandfathered	Non-Grandfathered	ACA QHPs
Premera	3,216	7,409	3,088
Moda	0	0	2,749
Aetna	0	299	701
Assurant	0	0	3,447
UHC	0	0	736
Total	3,216	7,708	10,721

Ten Potential Premium Drivers in 2017

- Healthcare costs and utilization
- Changes to Essential Health Benefits and the CMS Actuarial Value Calculator
- Additional data – 3 years
- Continued migrations
- Insurers merging and exiting markets
- Ongoing uncertainty, court cases and the 2016 elections
- Transitional Reinsurance
- Risk Corridor
- Risk Adjustment
- Changes in fees and taxes

Sourced from Milliman Healthcare Reform Briefing Paper December 2015

Alaska – Potential Cost Drivers

- Cost of healthcare is amongst the highest in the nation
- Limited providers, challenges with provider networks
- Individual market remains at 20,000 – 22,000 and may have settled
- National cost drivers *do* impact Alaska – we are not immune

Looking forward: Potential Cost Drivers

- CMS has issued over 100 revisions for the 2017 plan year
- Medical trends – increasing at 10% or more
- Reinsurance and risk corridor
- Transitional or non-grandfathered plans will enter the market increasing enrollees
- Mergers and acquisitions of insurers will tighten the market even further

The 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

Section 1332 Innovation Waiver

A few states are exploring a Section 1332 Innovation Waiver which would 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 state legislation
- Developed through a public process
- A state 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

Other solutions?

- Premera and Moda – Possible reinsurance program to be administered by ACHIA
- Regional exchanges – partnering with other western states?
- Combining the individual and small group markets to spread the risk amongst more enrollees?

Conclusion

Questions?