

ALASKA STATE LEGISLATURE

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Sponsor Statement

Senate Bill 165

“An Act relating to the Alaska comprehensive health insurance fund; and providing for an effective date.”

In 2015, the individual health care market in Alaska was in a precarious state. There were only two insurers with current enrollees in individual healthcare plans in Alaska, and each insurer was experiencing significant losses. Average premium rate increases in 2015 were 38.7% for one insurer and 39.9% for the other. In 2016, one of Alaska’s only two remaining insurers gave notice that they would be withdrawing from the Alaska individual market effective January 2017.

The 29th Legislature passed HB 374 in 2016, which created the Alaska Reinsurance Program, and allowed the Division of Insurance to apply for a federal Section 1332 state innovation waiver under the Affordable Care Act (ACA). That legislation included a sunset date of June 30, 2018 to ensure that the diversion of insurance premium taxes from the general fund was not relied upon as a long-term funding mechanism. In July 2017, the waiver was approved by both the Department of Health and Social Services and the Department of Treasury based on the application submitted by the division, which requested pass-through funding for the Alaska Reinsurance Program.

The federal award for this waiver was approximately \$322 million over five years. The award is to be used, in conjunction with the Alaska Reinsurance Program, to continue to stabilize the individual healthcare market in Alaska.

This legislation extends the sunset provision on the Alaska comprehensive health insurance fund by six years, from June 30, 2018 to June 30, 2024 to allow for the continuation of the Alaska Reinsurance Program and receipt of the federal funding.

The bill also removes the requirement that funds collected under AS 21.09.210 (tax on insurers), AS 21.33.055 (unauthorized insurance premium tax), AS 21.34.180 (surplus lines tax) and AS 21.66.110 (annual tax on title insurance premiums) are to be deposited into the Alaska comprehensive health insurance fund within the general fund.

Passage of HB374 by the 29th Legislature has resulted in stabilization of the individual insurance market. The Section 1332 state innovation waiver provides funding for the Alaska Reinsurance Program, through the Alaska comprehensive health insurance fund. Now this legislation is necessary to ensure the continued effectiveness of the Alaska Reinsurance Program, meet the intent of the waiver, and receive the federal funding.