



THE STATE
of **ALASKA**

GOVERNOR MICHAEL J. DUNLEAVY

DEPARTMENT OF COMMERCE, COMMUNITY AND
ECONOMIC DEVELOPMENT

FY2020 BUDGET OVERVIEW

DIVISION OF INSURANCE

Lori Wing-Heier, Director

February 8, 2019



Division Overview

Mission Statement:

Strengthening competitive insurance markets while protecting Alaskans.

- Administration
- Consumer Services
- Financial Reports and Audits
- Financial Examinations
- Investigations
- Licensing
- Life and Health
- Property and Casualty



Revenue

In FY18, the division collected \$60M in premium taxes and penalties.

In addition, the division collected \$10M in fees.

AS 21.06.250 defines the authority for fee collection:

“The Director shall collect in advance a fee for each license and for services performed by the division of insurance. Fees may be collected for but are not limited to applications, licenses and license renewals, certificates of authority, service of process, printed or photocopied material and postage. The director shall adopt regulations setting the fees in an amount the director determines sufficient to reimburse the state for the actual expense incurred in providing a service”.



Federal Grants

Health Insurance Enforcement and Consumer Protections Grant

The division was awarded a Centers for Medicare and Medicaid Services Health Insurance Enforcement and Consumer Protections Grant for \$629,841, on October 31, 2016.

The award allowed the state to implement an external appeals process for health insurance consumers. The grant had a project and budget period of 24 months from the award date, October 31, 2016, to October 30, 2018.

The division submitted a no-cost extension request to extend this grant expenditure period through June 30, 2019.



Federal Grants

State Flexibility Grant

The Division was awarded a Centers for Medicare and Medicaid Services State Flexibility to Stabilize the Market Grant for \$276,972, on August 20, 2018.

The grant supports the state's role in implementing and planning for federal market reforms and consumer protections guaranteed by the Patient Protection and Affordable Care Act ("Affordable Care Act" or ACA), including; guaranteed availability of coverage, guaranteed renewability of coverage, and essential health benefits.

The grant will have a project and budget period of 24 months from the award date, August 20, 2018, to August 19, 2020.



The Alaska Reinsurance Program

The Alaska Reinsurance Program is designed to remove the highest cost claims from Alaska's individual health insurance market.

This is a conditions based program that covers 33 of the most expensive conditions which have driven premium costs.

It is operated on an annual basis, and once the insurer submits a qualifying claim, the individual is covered by the program for all medical claims for the remainder of the year.

This program is invisible to the insured.



Table 1: State vs. Federal Funding for Alaska Reinsurance Program

Calendar Year	Projected Alaska Reinsurance Fund ⁽¹⁾	Final Savings Federal Pass-Through Funds ⁽²⁾	Estimated State Funding
2018	\$59,983,000	\$58,484,978*	\$1,498,022*
2019	\$64,126,326	\$68,689,234*	-\$4,562,908*
2020	\$68,950,229	\$56,108,411	\$12,841,818
2021	\$74,137,010	\$61,486,732	\$12,650,278
2022	\$79,789,956	\$65,612,014	\$14,177,942
2023	\$85,873,941	\$72,231,851	\$13,660,090
2024	\$92,333,808	\$77,717,468	\$14,616,340
2025	\$98,711,766	\$84,814,665	\$13,897,101
2026	\$105,530,281	\$91,785,506	\$13,744,775

⁽¹⁾ Oliver Wyman Actuarial Analysis

⁽²⁾ ISER Economic Analysis

*CMS pass through funding calculations



Health Insurance in Alaska

Advantages

- Growth in infrastructure-increased access to services across the state.
- Alaska Reinsurance Program has reduced consumer costs.

Challenges

- Although Alaska's covered population has increased, premiums have not been lowered as a result of growth in the individual market or Medicaid expansion population.
- Healthcare costs have continued to rise, the reinsurance program is a short term solution that does not address cost of care.



Major Accomplishments in FY2018

- 5 year accreditation through the National Association of Insurance Commissioners
- Small Business Survey
- External Healthcare Review
- State Flexibility Grant Award



Challenges

- Uncertainty of ACA with federal lawsuits
- Addressing Cost of Healthcare with limited regulatory authority from Title 21
- Earthquake
- 80th Percentile Rule



Questions?

Lori Wing-Heier

Director

Lori.Wing-Heier@alaska.gov

907-465-2515