

## OVERVIEW OF ALASKA'S SECTION 1332 WAIVER

*Prepared by the Alaska Division of Insurance*  
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The United States Department of Health and Human Services and the United States Department of Treasury approved Alaska's Section 1332 (State Innovation) waiver in July 2017. Alaska created the Alaska Reinsurance Program to reduce health insurance premiums for enrollees in the individual market. This effort also encouraged more Alaskans to obtain quality coverage. This Section 1332 waiver summary includes the history of the legislation, an explanation of the savings for the federal government, and a demonstration of how it provides Alaskans with critical support for their premiums.

### **History of the waiver**

In preparing for 2017 rates, the Division knew that market stabilization was a priority since Moda Health withdrew at the end of 2016. The Alaska Legislature passed the Alaska Reinsurance Program in June 2016, Governor Bill Walker signed HB374 into law in November 2016. The program was initially designed to reimburse insurers for the coverage of 33 conditions identified by an actuarial study on conditions that are generally high cost and completed in collaboration with the insurers and the Alaska Division of Insurance. These hierarchical condition categories now cover 35 conditions and have been chosen in a manner focused on potential severity. By removing the anticipated costs of these expensive claims, the insurers reduced the premiums they needed to charge for coverage. For 2017, the Program was funded fully by the state with 2018 – current plan years funded primarily by federal pass-through funding with some assistance by the state of Alaska.

### **Savings for the federal government**

The Section 1332 waiver exempts Alaska from Section 1312(c)(1) of the Affordable Care Act which requires a single risk pool. Through the Section 1332 waiver, the Division demonstrated savings of advanced premium tax credits (APTCs) for the federal government. With lower premiums, the federal government did not have to spend as much on APTCs. Because of this, the federal government provides for pass-through funding awards on an annual basis. These determinations are announced at some time between February and May. To date since 2018, Alaska has been awarded a total of \$684,778,119. Not all the funds have been used yet because in some years, the award amounts were actually greater than the funding provided to the insurers.

### **Premium support for Alaskans**

If the insurers did not receive reimbursements for these high-cost claims, the insurers estimate that the premiums would be 37% higher due to the claims but also the sicker risk pool as healthier individuals would elect to find alternative coverage or go uninsured instead of remaining in the individual market. The premium cost would be higher, and the size of Alaska's individual market would be smaller. Having more individuals with unregulated or no health care coverage puts a burden on those individuals, providers, and others who pay more due to uncompensated care.

Alaska's Section 1332 waiver's success encouraged 18 other states to implement reinsurance programs. The innovation created by this waiver shows that states can be creative in identifying key problems in their health insurance markets and developing solutions. Without this flexibility, the alternatives are devastating. Enrollees could be faced with astronomical premiums, or worse, they could be left without any coverage if insurers completely withdraw from the state.