



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

DEPARTMENT OF COMMERCE, COMMUNITY AND, ECONOMIC DEVELOPMENT

1332 STATE INNOVATION WAIVER SENATE LABOR & COMMERCE

Division of Insurance

Director Wing-Heier

January 23, 2018



Affordable Care Act

Passed on March 23, 2010, the Patient Protection and Affordable Care Act provided, in *Section 1332*, that:

“a State may apply to the Secretary for the waiver of all or any requirements described in paragraph (2) with respect to health insurance coverage within that State beginning on or after January 1, 2017. Such application shall-

- (A) be filed at such time and in such manner as the Secretary may require;
- (B) contain such information as the Secretary may require, including-
 - i. a comprehensive description of the State legislation and program to implement a plan meeting the requirements for a waiver under this section; and
 - ii. A 10-year budget plan for such plan that is budget neutral for the Federal Government; and
- (C) Provide an assurance that the State has enacted the law described in subsection (b)(2).”



What can be waived?

- Benefits and Subsidies – States may modify rules governing covered benefits, as well as the subsidies that are available through the marketplace. States seeking to reallocate premium tax credits and cost-sharing reductions may receive the aggregate value of those subsidies to implement their alternative approach
- Marketplace and Qualified Health Plans – States may replace their marketplaces or supplant the plan certification process with alternative ways to provide health plan choice; determine eligibility for subsidies and enroll consumers in plans;
- The Individual Mandate – States may modify or eliminate the requirement that individuals maintain minimum essential coverage;
- The Employer Mandate – States may modify or eliminate the requirement that large employers offer affordable coverage to their full-time employees



The “Guardrails”

Each waiver application must satisfy four criteria:

1. Comprehensive Coverage – States must warrant that the coverage provided to consumers remains “at least as comprehensive” as coverage absent the waiver;
2. Affordable Coverage – States must provide “coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable” as coverage absent the waiver;
3. Scope of Coverage – States must provide coverage to “at least a comparable number of residents” as would have been covered without the waiver; and
4. Federal Deficit – The waiver must not increase the federal deficit.



Alaska 1332 Waiver Concept

- The ARP mitigates rate increases in the Alaska individual health insurance market and as a result reduces the amount of Advanced Premium Tax Credits (APTC) the federal government is obligated to fund lower/moderate income individuals as a premium subsidy.
- The state appropriated \$55 million in FY16 to fund the first year of the reinsurance program, and \$55 million in FY17 for the state share of the reinsurance program over the 5-Year period of the waiver (2018-2022).
- By removing claims for consumers with high cost conditions from the risk pool, the benefits of the Alaska Reinsurance Program (ARP) are shared by the entire individual health insurance market regardless of income, age, race and ethnic group, or any other demographic characteristic.
- Alaska did not waive any aspect of the ACA that would reduce access to meaningful, affordable insurance for any resident.
- Alaska waived the single risk pool, and requested pass-through APTC to partially fund the ARP.



Alaska's Timeline

June 2016

- Legislature passes HB374 providing statutory authority for Section 1332 Innovation Waiver

December 2016

- Alaska submits complete waiver application to CMS on December 29, 2016

January 2017

- Alaska receives letter from DHSS preliminary determination that application is complete on January 17, 2017



Timeline continued.....

July 2017

- CMS approves Alaska's 1332 waiver application in early July.

December 2017

- Division submits the first status report to CMS; analysis of the anticipated 2018 market.

January 2018

- Division is awaiting final award amounts based on 2018 individual market filing and enrollment data



What did it cost?

Actuarial Report

- 3 staff at Oliver Wyman; Tammy Tomczyk, Peter Kaczmarek, Ryan Mueller
- Total cost \$136,226

Economic Impact Study

- 2 staff at ISER; Ralph Townsend, Andrew Bibler
- Total cost \$16,844

Staff Time

- Division of Insurance drafted initial application, provided data to consultants and participated in numerous discussions/meetings with all stakeholders including CMS and the Dept. of Treasury
- Department of Law attorneys reviewed final application and provided advice on the draft award (contract)
- Division staff coordinated public outreach, including contacting Alaska Native Tribes to fulfill tribal outreach, and scheduling of public hearings



Alaska's Efforts Lauded by CMS

Excerpt from Secretary Tom Price's March 13, 2017 letter to Governors:

“The Department of Health and Human Services and the Department of Treasury (the Departments) are interested in working with states on Section 1332 waivers that would lower premiums for consumers, improve market stability, and increase consumer choice. In particular we welcome the opportunity to work with states to pursue Section 1332 waivers incorporating a high-risk pool/state-operated reinsurance program. State-operated reinsurance programs have a demonstrated ability to help lower premiums, and if the state shows a reduction in federal spending on premium tax credits a state could receive Federal pass-through funding to help fund the state's reinsurance program.”

CMS published a checklist in March of 2017, indicating the priority the Trump administration places on stabilizing the individual market and increasing affordability of health insurance coverage.



Success!!!



CMS NEWS

For Immediate Release
July 11, 2017

Contact: CMS Media Relations
(202) 690-6145 | [CMS Media Inquiries](#)

The U.S. Department of Health and Human Services and The U.S. Department of Treasury HHS and Department of Treasury and approve Alaska's 1332 State Innovation Waiver Application

Today, the Centers for Medicare & Medicaid Services (CMS) and the United States Department of the Treasury announced the approval of Alaska's 1332 State Innovation Waiver application. Alaska sought a 1332 waiver to implement the Alaska Reinsurance Program (ARP) for 2018 and future years in an effort to stabilize the individual healthcare market.



Oliver Wyman Actuarial Report

This slide represents the actuarial analysis that was completed by Oliver Wyman and submitted as a part of the division's initial waiver application.

APTCs and Individual Market Enrollment by Scenario and Year

Year	APTCs			Individual Market Enrollment		
	Baseline	Waiver	Difference	Baseline	Waiver	Difference
2015	94,468,271	94,468,271	-	28,159	28,159	-
2016	135,348,085	135,348,085	-	24,064	24,064	-
2017	185,716,278	185,716,278	-	23,822	23,822	-
2018	233,898,461	182,260,689	(51,637,772)	21,253	22,894	1,641
2019	258,351,449	202,372,542	(55,978,906)	21,993	23,558	1,565
2020	279,343,570	219,162,267	(60,181,304)	21,773	23,548	1,775
2021	312,617,789	247,210,983	(65,406,805)	22,176	23,410	1,234
2022	342,289,634	272,477,673	(69,811,961)	22,656	23,866	1,210
2023	380,127,501	303,407,137	(76,720,364)	23,539	24,721	1,182
2024	412,662,662	329,994,712	(82,667,950)	23,713	24,940	1,227
2025	449,544,666	359,539,993	(90,004,673)	24,196	24,937	741
2026	488,186,123	390,635,284	(97,550,838)	24,520	25,263	742

While our modeling suggests greater actions will be needed to increase the affordability of coverage, the reinsurance program will help bring some much needed stability to the individual health insurance market in Alaska.



CMS Approval Letter

This slide represents what the CMS actuaries and Treasury economists decided was Alaska's estimated award, and was part of the 1332 approval letter from CMS.

Appendix A: Pass-Through Calculation Estimates for Alaska 1332 Waiver Application

The estimated pass-through amount is the PTC savings, less the reduction in individual shared responsibility payments (ISRP), plus the increase in Patient Centered Outcome Fee (PCORI), and less the reduction in Exchange fees.

	PTC	ISRP	PCORI	Exchange fee	Total (Estimate)
2018	50,499,719	-668,616	3,017	-1,471,833	48,362,287
2019	63,868,922	-684,360	727	-1,648,291	61,536,998
2020	68,211,504	-804,545	0	-1,690,708	65,716,251
2021	73,682,934	-599,819	0	-1,905,348	71,177,767
2022	78,545,053	-646,471	0	-2,039,651	75,858,931
Total	334,808,132	-3,403,811	3,744	-8,755,831	322,652,234



Media Coverage

Announcement of Alaska's approved waiver resulted in extensive national media coverage:

- [Vox](#)
- [Kaiser Family Foundation](#)
- [State of Reform](#)
- [Politico](#)
- [Wall Street Journal](#)
- [Health Payer Intelligence](#)

and many other media outlets covered Alaska's waiver.



Alaska's Outreach-Post Award

- The division has worked with numerous states, including Colorado, Illinois, Iowa, Maine, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Texas, Washington and Wisconsin providing insight and recommendations in setting up reinsurance programs by sharing our process and experience
- Minnesota and Oregon have structured their 1332 waivers loosely on Alaska's program. Both have been approved by CMS.



Alaska's Outreach-Post Award

- Director Wing-Heier testified before the Senate Health, Education, Labor and Pensions Committee in Washington, DC September 6, 2017. The topic was “Stabilizing Premiums and Helping Individuals in the Individual Insurance Market for 2018”.
- The Director presented numerous times on Alaska's waiver before the National Governor's Association in 2017.
- The Division has work closely with Alaska's federal delegation and the Senate HELP committee to provide analysis of of healthcare reform bills on the Alaska insurance markets.
- Most federal healthcare bills introduced in 2017 referenced Alaska's reinsurance programs, many contained provisions to streamline the 1332 waiver process.



Resources

Alaska Waiver Application can be located online:

[https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section 1332 State Innovation Waivers-.html](https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section%201332%20State%20Innovation%20Waivers.html)



Questions?

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