



THE STATE  
*of* **ALASKA**  
GOVERNOR BILL WALKER

# SENATE FINANCE

## UPDATE ON THE IMPLEMENTATION OF HB 374 & ALASKA'S 1332 WAIVER APPLICATION

by

Department of Commerce, Community, and Economic Development  
Division of Insurance

Commissioner Chris Hladick and  
Director Lori Wing-Heier

February 23, 2017



## The passage of HB 374

The 29<sup>th</sup> Legislature passed HB 374 in June of 2016.

This bill:

- created the Alaska Reinsurance Program within the Alaska Comprehensive Health Insurance Association (ACHIA)
- created the Alaska comprehensive health insurance fund
- Appropriated 55 million dollars in insurance premium tax revenue to the fund
- Authorized the Division of Insurance to apply for a 1332 waiver under the Affordable Care Act



# ACHIA

ACHIA is a non-profit legal entity incorporated under Title 21, Chapter 55 on January 1, 1993.

ACHIA was created to provide Alaskans who were denied health insurance the opportunity to purchase coverage.

ACHIA enrollment declined due to the Affordable Care Act Guarantee Issue beginning on January 1, 2014.



# ACHIA

The eligibility requirements for ACHIA are:

- Alaska Residency
- Medical Eligibility
  - notice of rejection from a health insurer in past 6 months
  - received restricted riders that substantially reduce coverage
  - under age 65 and covered by Medicare due to ESRD
  - diagnosis of a defined medical condition

ACHIA enrollment declined due to the Affordable Care Act Guarantee Issue beginning on January 1, 2014.



## ACHIA Enrollment

ACHIA enrollment declined due to the Affordable Care Act Guarantee Issue beginning on January 1, 2014.

Year	Total Enrollment	Comprehensive Enrollment Only
2013	498	421
2014	211	125
2015	145	66
2016*	130	49



# Necessity for Alaska Reinsurance Program

- The ACA required “guarantee issue” which means that all Alaskans could purchase health insurance regardless of health status.
- Insurers could not deny consumers coverage for a history of or current status of such conditions as diabetes, cancer, multiple sclerosis or cystic fibrosis.
- Due to this change in the market, consumers who previously did not have coverage and many in ACHIA shifted from the high risk pool to the individual insurance pool.
- This shift resulted in significant increases in costs to insurers and premiums for consumers.



# The Alaska Reinsurance Program

The Alaska Reinsurance Program is designed to remove the highest cost individuals from Alaska's individual health insurance market in order to reduce costs for the remainder of the pool.

Claims received by an insurer for one of the 33 highest cost codes are paid by the insurer, and then sent to ACHIA to be reimbursed under the Alaska Reinsurance Program.





## Alaska Comprehensive Health Insurance Fund

- The Alaska Comprehensive Health Insurance Fund was created within the general fund in 2016.
- Insurance premium tax dollars are deposited in the fund.
- The Fund is invested by the Treasury division and earnings are returned to the general fund.
- The Legislature may appropriate money from the fund to pay for the Alaska Reinsurance Program.
- The fund is set to sunset on June 30, 2018.





## Impact on Insurance Rates

- 55 million dollars was appropriated from the Alaska comprehensive health insurance fund for Fiscal Year 2017.
- Premera, Alaska's sole remaining provider on the individual market, projected over 40 percent rate increases for 2017 plans in late spring of 2016.
- Actual rate increases were held to an average of 7.3 percent as a result of the reinsurance program being created and funded by the legislature.



## FY 18 Budget Request (fiscal/calendar year)

- Insurance policies operate on a calendar year, not a fiscal year.
- Section 10 of the Governor's budget includes a request that the 55 million dollars previously appropriated for FY17 be repealed and replaced with a multi-year appropriation to cover the full policy year.



## FY 18 Budget Request (additional appropriation)

The Governor's budget also includes a request for an additional multi-year appropriation to fund the Alaska Reinsurance Program for Calendar Year 2018.

FY2017				FY2018				FY2019			
7/1/2016	12/31/2016	1/1/2017	6/30/2017	7/1/2017	12/31/2017	1/1/2018	6/30/2018	7/1/2018	12/31/2018	1/1/2019	6/30/19
Existing Appropriation HB374 Fiscal Note											
7/1/2016 – 6/30/2018 Requested Reappropriation for Calendar Year 2017											
No Activity		Calendar Year 2017 First Reinsurance Program Year				Final payments and closeout					
				7/1/2017 – 6/30/2019 Multi-year Appropriation for Calendar Year 2018							
				No Activity		Calendar Year 2018 Second Reinsurance Program Year				Final payments and closeout	



# Patient Protection and Affordable Care Act

Section 1332 provides 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).”



## Waivable items

- **Benefits and Subsidies:** Rules governing covered benefits, as well as the subsidies that are available through the marketplace. States reallocating 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:** coverage provided to consumers remains “at least as comprehensive” as coverage absent the waiver
2. **Affordable Coverage:** “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:** coverage to “at least a comparable number of residents” as would have been covered without the waiver
4. **Federal Deficit:** The waiver must not increase the federal deficit



## Why did the division pursue a waiver?

- The legislature urged the division to find an alternate funding source for the ARP
- Section 1332 Waivers from the Patient Protection and Affordable Care Act allow states to seek federal pass through funding through Internal Revenue Code 36B
- The Legislature sunsetted the reinsurance fund in 2018 to incentivize the division to find alternate funding for the ARP





## Alaska's Innovation

The Alaska Reinsurance program is expected to save the federal government \$51.6 million in premium tax credits for 2018, and increase enrollment in the individual market by nearly 1,650.

Under Alaska's 1332 waiver, the federal government would partially fund the Alaska Reinsurance Program beginning in 2018 in the amount of the premium tax credit savings.



## Getting to a waiver

Before applying for the waiver, the division of insurance and their contractors:

- Performed an actuarial analysis showing the savings to the federal government resulting from the Alaska Reinsurance Program
- Contracted with ISER to evaluate the budget neutrality of the Alaska Reinsurance Program on the federal budget including revenue losses from lower premiums
- Compiled an in depth application package (183 pages)

<https://www.commerce.alaska.gov/web/Portals/11/Pub/Alaska-1332-Waiver-Application-with-Attachments-Appendices.pdf?ver=2017-01-05-112938-193>



# Oliver Wyman Actuarial Report

## 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.



# Five Year Funding Projection

Calendar Year	Projected Alaska Reinsurance Fund <sup>(1)</sup>	Final Savings Federal Pass-Through Funds <sup>(2)</sup>	Estimated State Funding
2018	\$59,983,000	\$48,973,684	\$11,009,316
2019	\$64,126,326	\$52,260,335	\$11,865,991
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

<sup>(1)</sup> Oliver Wyman Actuarial Analysis

<sup>(2)</sup> ISER Economic Analysis



## Current Status

On January 17, 2017 the Departments of Health & Human Services and the Department of the Treasury deemed the application “complete”.

“I would note that before the Departments can approve the waiver as proposed, legislation appropriating the funds for the ARP, contingent upon approval of the waiver, must be enacted in Alaska” – Secretary Burwell



## Federal Outreach

Briefings have been provided to:

- President Trump's transition team
- Senator Murkowski
- Senator Sullivan
- Secretary Price
- Congressman Young

The Division Director has worked to keep the federal delegation informed of Alaska's efforts, and to garner support.



## Next Steps

- The Governor's FY18 Budget Request includes a \$55 million dollar appropriation to fund the Alaska Reinsurance Program for Calendar Year 2018.
- DCCED is working with CMS to clarify what language or action would be deemed responsive to Secretary Burwell's request.
- DCCED will submit an RPL following federal approval of the waiver.





# Conclusion

Questions?