

HOUSE BILL NO. 374

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/25/16

Referred: Labor and Commerce

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a reinsurance program for residents who are high risks and insurer**
2 **assessments to cover the costs of the reinsurance program; relating to application for**
3 **state innovation waivers for health care insurance; relating to definitions of 'residents**
4 **who are high risks' and 'covered lives'; and providing for an effective date."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 21.55.220(c) is amended to read:

7 (c) Each member of the association shall share the losses due to claims
8 expenses of the state plans issued or approved for issuance by the association; each
9 member of the association shall share the losses of a reinsurance program established
10 by regulations adopted under AS 21.55.400 reinsuring residents who are high risks;
11 and each member of the association shall share in the operating and administrative
12 expenses incurred or estimated to be incurred by the association incident to the
13 conduct of its affairs. Claims expenses of the state plan that exceed the premium
14 payments allocated to the payment of benefits shall be the liability of the members.

Each member shall share in the claims expense of the state plans and [,] the operating and administrative expenses of the association [, AND THE LOSSES OF A REINSURANCE PROGRAM ESTABLISHED BY REGULATIONS ADOPTED UNDER AS 21.55.400 REINSURING RESIDENTS WHO ARE HIGH RISKS,] in an amount equal to the ratio of the member's total major medical premiums, received from or on behalf of state residents, as divided by the total major medical premiums received by all members from or on behalf of state residents, as determined by the director. **Each member shall share the losses of a reinsurance program established by regulations adopted under AS 21.55.400 reinsuring residents who are high risks, in an amount equal to the ratio of the member's total number of covered lives who are state residents, as divided by the total number of covered lives who are state residents from all members, as determined by the director.**

* Sec. 2. AS 21.55.220(f) is amended to read:

(f) **Except for the amount of the assessment under a reinsurance program established by regulations adopted under AS 21.55.400 for reinsuring residents who are high risks, a** [A] member may offset 50 percent of the amount of the assessment under this section as a premium tax credit reducing the premium tax payable by the member under AS 21.09.210. The offset shall apply to the tax levied for the calendar year following an annual determination of each member's liability under (d) of this section. The offset may not reduce the premium tax payable by a member to less than zero or create a premium tax credit for the member. An unused offset may be carried over to the immediately following calendar year. An offset made under this subsection is not subject to AS 21.09.270.

* Sec. 3. AS 21.55.500(20) is amended to read:

(20) "residents who are high risks" means residents who

(A) have been rejected for medical reasons after applying for a subscriber contract, a policy of health insurance, or a Medicare supplement policy by at least one association member within the six months immediately preceding the date of application for a state plan; medical reasons may include preexisting medical conditions, a family history that predicts future medical conditions, or an occupation that generates a frequency or severity of injury or

disease that results in coverage not being generally available;

(B) have had a restrictive rider placed on a subscriber contract, a health insurance policy, or a Medicare supplement policy that substantially reduces coverage; or

(C) meet other requirements adopted by regulation by the director that are consistent with this chapter [AND THAT INDICATE THAT A PERSON IS UNABLE TO OBTAIN COVERAGE SUBSTANTIALLY SIMILAR TO THAT WHICH MAY BE OBTAINED BY A PERSON WHO IS CONSIDERED A STANDARD RISK];

* **Sec. 4.** AS 21.55.500 is amended by adding a new paragraph to read:

(24) "covered lives" means the total number of individuals who are entitled to benefits under a health insurance policy or other contract covering major medical.

* **Sec. 5.** AS 21.96 is amended by adding a new section to read:

Sec. 21.96.120. Waiver for state innovation. The director may apply to the Secretary of the United States Department of Health and Human Services for waiver of applicable provisions of Pub. L. 111-148 (Patient Protection and Affordable Care Act) under 42 U.S.C. 18052 with respect to health insurance coverage within the state for plan years beginning on or after January 1, 2017. The director is authorized to implement a state plan meeting the waiver requirements in a manner consistent with state and federal law and as approved by the Secretary of the United States Department of Health and Human Services.

* **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).