

HOUSE FINANCE COMMITTEE
FOURTH SPECIAL SESSION
May 26, 2016
8:37 a.m.

[8:37:45 AM](#)

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 8:37 a.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Fred Parady, Deputy Commissioner, Department of Commerce, Community, and Economic Development; Lori Wing-Heier, Director, Division of Insurance, Department of Commerce, Community and Economic Development; Representative Paul Seaton; Representative Louise Stutes.

SUMMARY

HB 374 REINSURANCE PROGRAM; HEALTH INS. WAIVERS

HB 374 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson reviewed the agenda for the day.

8:38:27 AM

#hb374

HOUSE BILL NO. 374

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

8:38:27 AM

Co-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 374, Work Draft (29-GH2126\E). There being NO OBJECTION, it was so ordered.

Co-Chair Thompson indicated he would not be moving the bill out in the current meeting.

8:39:33 AM

FRED PARADY, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, introduced himself.

LORI WING-HEIER, DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced himself.

Mr. Parady relayed that the bill before the committee was a simple fix for a complex problem.

Representative Gattis asked how the situation arose.

Ms. Wing-Heier responded that Alaska was not alone in the issue. The Affordable Care Act had presented some unique challenges to the insured market. She explained that some very sick people had entered the market with high claims. The insurers paid out claims that had exceeded the premiums that had come in. She stated that, in some cases, the insurers had paid out up to \$1.20 for every \$1.00 collected. She shared that AETNA and Assurant left Alaska, which left only two carriers in the state. She shared that MODA had recently given notice that they would pull out of the individual market in 2017, leaving only one carrier in

the state. In some states, carriers had announced that they would not write in all areas of the particular state. She shared that Premera had declared that they would not write in the eastern part of the state. Alaska would not have an insurance company for the citizens of Alaska if Premera had given similar notice to Alaska. She stressed that Premera could declare that they would not cover Alaska, which would result in no back up for insurance.

[8:43:50 AM](#)

Representative Gattis wondered whether the people addressed in the bill were not covered before the Affordable Care Act.

Ms. Wing-Heier replied that there were some who had not purchased insurance, but the Alaska Comprehensive Health Insurance Association (ACHIA) was already in place. Some people could not afford the ACHIA premiums, so they were uninsured. Upon adoption of the Affordable Care Act, those people bought insurance, because some people qualified for subsidies for their premiums. She explained that ACHIA was limited to very specific conditions that allowed access to ACHIA. She stressed that, under the Affordable Care Act, insurance was guaranteed issue.

Co-Chair Thompson wanted to move through the presentation.

Representative Gara shared that he had been advised that the state could pool with other states, which may help to drive the cost of insurance down.

Ms. Wing-Heier stated that currently the option to pool was not possible.

Co-Chair Thompson acknowledged Representative Pruitt had joined the meeting.

Ms. Wing-Heier introduced the PowerPoint Presentation: "Department of Commerce, Community and Economic Development: HB 374 - Reinsurance Program; Health Insurance Waivers." She advanced to slide 2: "Division of Insurance":

The mission of the Division of Insurance is to regulate the insurance industry to protect Alaskan consumers.

- The division has a statutory responsibility to review and approve rules, forms and rates based on

an analysis of whether they are excessive, inadequate, or unfairly discriminatory.

- The division does not have statutory authority to deny rates because of the financial impact to the consumer.

8:48:54 AM

Ms. Wing-Heier reviewed the timeline on slide 3: "Timeline - Update":

- September 2014 - Premera's average increase 37.2 percent. Moda's average increase was 27.4 percent
- August 2015 - Premera's average increase was 38.7 percent. Moda's average rate increase was 39.6 percent
- October 1, 2015 - Letter received that the 2014 risk corridor payments will be paid at 12.6 percent requests
- May 2, 2016 - Moda announces exit from Alaska's individual market beginning January 1st, 2017
- January 1, 2017 - State of Alaska has one insurer in the individual market on/off the federally facilitated exchange, impacting 23,000+ Alaskans

Ms. Wing-Heier scrolled to slide 4: "ADN to Governing; Alaska made the News...":

Health and Human Services: Another Health Insurer Abandons Alaska. by Laurel Andrews

Moda Health will exit Alaska's individual insurance market next year, the company announced Monday, leaving only one health insurance provider in the state's market that, so far, has been defined by drastic annual rate increases for consumers and big losses for insurance companies.

Moda will focus on its other group and individual plans in the state, it said in a release. It may consider returning in the future but "the market requires significant reform in order to be sustainable," the company said.

The exit applies only to Moda's 14,000 customers who have health insurance plans on the individual marketplace. The company's other medical and dental

plans are not affected by the decision, the company wrote.

"Obviously this is not good news," Alaska Division of Insurance Director Lori Wing-Heier said after the announcement.

Ms. Wing-Heier looked at slide 5: "Even the Wall Street Journal":

By Anna Wilde Mathews and Stephanie Armour
May 15, 2016 7:47 p.m. ET

Health-insurance customers in a growing number of mostly rural regions will have just one insurer's plans to choose from on the Affordable Care Act's exchanges next year, as some companies pull out of unprofitable markets.

The entire states of Alaska and Alabama are expected to have only one insurer on the health law's signature online marketplaces next year, according to state regulators. The same is expected to be true in parts of several other states, including Kentucky, Tennessee, Mississippi, Arizona and Oklahoma, state regulators said.

Ms. Wing-Heier advanced to slide 6: "Washington." The companies were losing money at least in the individual market. The state had lost three insurers in the previous two years.

[8:52:06 AM](#)

Ms. Wing-Heier discussed slide 7: "Three R's":

- Risk Adjustment transfers money among insurers to adjust for the possibility that some insurers may get more or less than their proportionate share of costly enrollees. Risk Adjustment is only:
 - Applied to the individual and small group market; and
 - Permanent program to help stabilize the costs of the ACA
- Reinsurance is one of the taxes associated with the ACA and is applied against health insurance policies

and employer group health plans. Proceeds are used to provide the individual market plans with additional subsidies for higher-cost enrollees. The program sunsets in 2016

- Attachment point in 2014 is \$45,000 but will increase to \$70,000 in 2015
- Coinsurance decreases from 80 percent in 2014 to 50 percent in 2015
- Risk Corridor provides a range for profits or losses for insurance on the FFM. If an insurer has higher than expected profits, the federal government will "claw back" some of the premiums. Conversely, if an insurer has higher than expected losses, the federal government will pay the insurer additional subsidies to offset those losses. This program sunsets in 2016.

Ms. Wing-Heier moved to slide 8: "We are working to keep the market solvent."

Premera gets more time to file rates as fix awaits special session

By DJ Summers, Alaska Journal of Commerce

Posted: Wed, 05/11/2016 - 4:42pm

Addressing Alaska's broken individual health insurance market will likely have to take place in special session of the Legislature, and in the meantime the state's last provider has been given extra time to calculate its rate increase for 2017.

Premera Blue Cross - Alaska's sole remaining individual insurance provider following the May 1 announcement by Moda Health that will depart the market in 2017 - says it will stay in the Alaska market next year.

"Premera is committed to the Alaska market and will continue to offer individual coverage to Alaskans through the federal marketplace," said Premera spokesperson Melanie Coon in a statement.

Premera was due to release a rate schedule on May 11, but the circumstances will push that date back to this summer, Coon said. Because Moda dropped from Alaska's market, Premera, which covers 10,000 people in the state, has a new deadline to renew premium rate

estimates to include the rates Moda charged its 14,000 customers.

"We've requested form the (Division of Insurance) Moda's number so we can kind of sharpen our pencils," said Coon. "We have until July.

8:55:39 AM

Co-Chair Neuman queried an explanation of the state's approval of the rate schedule. He wanted to better understand how much companies had been making or losing in Alaska.

Ms. Wing-Heier explained that it was fairly complex. She stated that there was an actuarial memorandum; the past losses; the population served; medical trends; the anticipated demographic losses; expected pharmaceutical and medical trends. She stated that the division relied on historic data and cost projections. She stated that there was also an examination of profit, but over the most recent two years, the profits were less than 2 percent.

Co-Chair Thompson asked about money returned to consumers.

Ms. Wing-Heier answered that they wrote checks back to Alaskans.

Co-Chair Neuman queried the underlying reason for the insurance companies leaving the state. He queried the cost of medical services.

Ms. Wing-Heier agreed that the cost of health care was sometimes four times as much as it was in the lower 48. She stressed that the cost, in the aggregate, was spread across 23,000 people. She explained that within that population there were very sick people. She stated that there were \$239 million in claims in the first six months.

9:00:58 AM

Co-Chair Neuman had spoken to several doctors trying to figure out the problem. He thought the current legislation was just a "Band-Aid" to the problem. He wanted to address the underlying problem, and queried ways to fix the problem. He stated that there was money in the operating budget to pay back the cost of pursuing a medical degree,

in order to promote more medical personnel to the state. He remarked that because of various issues caused doctors' costs to increase.

Ms. Wing-Heier agreed with Co-Chair Neuman. She understood that the cost of health care must be address it, but she did not know where to begin to address that issue. She stated that there were various stakeholders that may assist in examining the issue in a holistic manner. She stressed that the problem was not only in the individual market; but included the state employees, worker's compensation, and other health care programs. She asserted that the cost of health care impacted everyone. She felt that health care costs in the state must be under control, in order to enhance economic development. She stated that the reason for the 1332 Waiver was to examine what could be done, to offer a solution.

Co-Chair Neuman remarked that the issue effected many Alaskans with or without insurance.

[9:04:36 AM](#)

Representative Wilson felt that the legislation was a way of backfilling for the federal government.

Ms. Wing-Heier answered that she did not believe it was backfilling for the federal government. She felt that every state would be involved in that process, should that be the case.

Representative Munoz wondered whether ACHIA had covered high risk Alaskans.

Ms. Wing-Heier responded that ACHIA existed for one primary reason, but she did not know why the small pool were not terminated from ACHIA. She stressed that Alaska did not have a market for high cost medications, but was available through ACHIA. There were individuals in ACHIA who could only access medication through ACHIA.

[9:08:43 AM](#)

Representative Munoz wondered how many of the 23,000 in the individual market would need to shift to ACHIA, because they may not find coverage.

Ms. Wing-Heier replied that the claims were examined based on the most costly condition among all the 23,000 individuals. She explained that there was a top 10, top 20, top 30, and top 40. She shared that there was an examination of how all those claims would be seeded to ACHIA. She stated that the top 20 was somewhere around \$55 million. The first ten claims was 495 people; and the first 40 diseases was 874 people.

[9:10:51 AM](#)

Vice-Chair Saddler queried any provisions in SB 74 that would address Medicaid expansion.

Ms. Wing-Heier replied that the private sector could provide a fee for service. She explained that the difference between the Affordable Care Act and the Medicaid expansion was about the level of income.

Vice-Chair Saddler wondered whether insurance companies should stop operating in Alaska, if they were unable to make a profit.

Mr. Parady agreed. He stressed that no insurance company in Alaska left 23,000 individual Alaskans with no health care coverage and no other option available. He felt that the bill should be considered "triage", in order to provide a near-term fix to ensure that the state did not have zero carriers.

Ms. Wing-Heier thought it was worth mentioning she would expect to see changes to the Affordable Care Act, which may alleviate some of the current issues.

[9:15:13 AM](#)

Representative Gara stated that he had urged previous finance committee chairs to work towards a plan to reduce high medical costs. He wondered whether the division had the statutory authority to regulate the provider charges to insurers.

Ms. Wing-Heier responded that the division did not have the authority in statute to tell the provider what to charge, unless it was so excessive that it became fraud.

Representative Gara had two examples of fraud. His wife was a physical therapist. He remarked that there were some physician-owned practices who pay their physical therapists based on number of patients and number of visits. He stated that the payment structure provided an incentive for physical therapists to provide unnecessary care to receive the bonuses. He wondered if that type of practice could be regulated.

Ms. Wing-Heier responded that that may fall under the unfair trade practices statute.

Representative Gara wanted to prevent the issue from occurring in the first place. He wondered whether the division have the power to prevent that type of practice.

Ms. Wing-Heier agreed to examine that issue.

Representative Gara shared that some physicians purchase diagnostic equipment in order to make their money from the diagnostic services. He asserted that there was an incentive to use the diagnostic equipment more frequently than necessary to pay off the high cost of the equipment.

[9:18:38 AM](#)

Representative Guttenberg commented that many legislatures had been tracking the issue for several years. He mentioned kicking the can down the road. He remarked that the Division had the opportunity to look at a bigger picture. He wondered how the bill addressed the cost disparity.

Ms. Wing-Heier replied that it could not be addressed at this point. She explained that the insurance companies did managed care, but there were no fee schedules in statute. She remarked that when an employee or individual enters a network, the insurance company would have preferred provider arrangements with the intent to negotiate a fee with the provider. She stressed that the negotiation was between the insurer and the provider. She shared that the division did not get involved in those discussions. She shared that the division would be involved if the claims were not paid. She stated that, in the waiver, if there was an opportunity to examine network adequacy and to ensure that the provider agreements were reaching more physicians to reach more physicians while reducing the rates. She

stressed that, currently, the division had no participation in the agreements.

Representative Guttenberg wondered whether the division was aware of the insurance industries across the board participation in price of care.

Ms. Wing-Heier replied that the payments were customary, which set the rate for what positions were being paid in Alaska.

Representative Guttenberg stated that people did not shop for medical treatment. He remarked that sometimes doctors did not know the cost of treatment.

Ms. Wing-Heier replied that the issue of transparency was an issue in health care.

[9:25:24 AM](#)

Representative Guttenberg referred to the 1332 waiver. He wondered if the waiver allowed for the crossing the state line.

Ms. Wing-Heier replied that the waiver allowed one to apply to the federal government. She explained that the application required legislative approval or authority. She stressed that the state was not currently moving forward with the innovation waiver, but was moving forward with the application process. She stressed that the process was taking the Affordable Care Act to the state level.

[9:30:02 AM](#)

Co-Chair Neuman thought it had been an interesting discussion. He stated that what he had not heard any discussion on was reviewing regulations. He did expect to see some changes in regulations. He was adamant about regulation reform. He thought the state's own government was the higher driver of costs.

Mr. Parady stated that within the Department of Commerce, Community and Economic Development (DCCED) there was an attempt to streamline medical licensing.

Ms. Wing-Heier stated that the division had communicated that the deadline would be July 15, depending on the

legislative decision on the reinsurance bill. She stressed that should it be passed and funded, the rates should reflect the decision on the reinsurance for 2017.

Ms. Wing-Heier turned to slide 9: "2017 Rate Filings":

- Premera must file rates with DOI by 7/15/16
- Rates must be approved 8/23/16
- Open enrollment begins 11/1/16
- Is then effective 1/1/17
- In order to include the reinsurance program in the 2017 rate filings, the insurer must have a two week notice of the amount (if any) appropriated under HB374

Ms. Wing-Heier advanced to slide 10: "Section 1332 Innovation Waiver":

Alaska should explore a Section 1332 Innovation Waiver to allow the state to withdraw from the ACA if, and subject to many provisions, the state could provide the same benefits to consumers without any additional cost to the federal government. States that are working on 1332:

- Colorado
- Minnesota
- Hawaii
- Massachusetts

Ms. Wing-Heier scrolled to slide 11: "Section 1332 Innovation Waiver."

- Provide coverage at least as comprehensive as under the ACA
- Provide coverage and protection against excessive out-of-pocket expenditures at least as affordable as that provided under the ACA
- Cover a number of residents comparable to the number who would be covered under the ACA
- Not increase the federal deficit
- Must be authorized by the State Legislature
- Developed through a public process
- A state that is granted an innovation waiver that restricts access to premium tax credits, cost-sharing reduction premiums or the small employer tax credit can be paid the amounts that would have been paid to

its residents under these programs to finance its waiver program

[9:35:28 AM](#)

Representative Wilson relayed that she was lost. She looked at the "Claim Sheet" (copy on file). She wondered if the state came up short of \$111,000 per person.

Ms. Wing-Heier replied in the affirmative.

Representative Wilson looked at CC Set 2, and noted that there were 58 million claims removed, and 495 claimants removed. She stated that the company lost \$111,000 per person. She surmised that the bill was intended to make up the \$58 million.

Ms. Wing-Heier replied in the affirmative.

Representative Wilson wondered whether the state's costs were similar, and wondered whether any of the people were ever in the system.

Ms. Wing-Heier did not know who was in the system.

Mr. Parady furthered that the conditions covered in ACHIA were more limited than the current considered conditions. The overlying issue was that the high cost individuals were driving rate increases across the individual segment at 35 to 40 percent a year.

Representative Wilson felt that the issue was because of the federal government. She wondered if the legislation was a lawsuit to regain some costs.

Mr. Parady stated that he would not characterize the bill as a "clean up" of the Affordable Care Act. He stressed that the 20,000 people in the individual market were Alaskans. He stated that there was a prior statutory mechanism to partially deal with high cost individuals known as ACHIA. The Affordable Care Act's universal coverage provision resulted in more people in the market and were driving the cost of the entire group. He remarked the high cost drivers in that group were 500 Alaskans in the market of 20,000 Alaskans. He stressed that the intent was to ensure that the insurance coverage for that group would not "crater."

9:39:32 AM

Representative Wilson wanted to know the exact amount of money requested. She wondered how many people would be left without medical coverage, should the legislation not pass.

Mr. Parady explained that the number on the fiscal note was \$55 million, which roughly matched the 495 individuals. He stressed that the \$55 million was spread across only 23,000 Alaskans, which drove the premium increase of the third year of 35 to 40 percent. He stated that the rough calculation would cut the rate of increase by one-half. The appropriation would also help to stabilize the market, so the losses would not continue resulting in zero carriers. He remarked that the bill was an initial measure to stabilize Alaska's individual market for Alaskans. He stressed that the root of the bill was individuals who were paying premiums that were greater than their mortgages.

Representative Wilson commented that she was still completely confused.

Representative Gara wondered if every other state had a provider tax.

Ms. Wing-Heier replied in the affirmative.

Representative Gara wondered whether Alaska was the only state that did not have a provider tax.

Ms. Wing-Heier replied that she did not know, but stated that most state's had a provider tax.

Representative Gara noted that there were many providers who did not make a lot of money. He asked if the administration had considered a provider tax. He believed those with the most money were being asked the least.

Ms. Wing-Heier replied in the negative; they had not discussed a provider tax.

Vice-Chair Saddler stated that the bill envisioned a healthcare authority. He wondered what would happen in the short-term if the bill was not passed. He surmised that if a new provision was not in place by July 1 there would be another year of significant rate increases.

Ms. Wing-Heier agreed that if the legislation did not pass there would be another year of significant rate increases. She had no reason to expect that 2017 would not bring another high increase.

Vice-Chair Saddler wondered how many.

Ms. Wing-Heier replied not many. She could not imagine that in 2018 there would be insurance throughout the state unless something was done.

[9:45:29 AM](#)

Vice-Chair Saddler wondered whether individuals with chronic conditions attracted to Alaska to take advantage of the state's insurance program.

Ms. Wing-Heier replied in the negative.

Co-Chair Thompson wondered what would occur should Premera decide to not offer coverage in the rural area.

Ms. Wing-Heier replied that the state would not have to set up an exchange, she asked how the state would ask many Alaskans to have no medical coverage. She stated that it would cost around \$200 million to set up an exchange.

Co-Chair Thompson asked if the funds go to the general funds.

Mr. Parady stated that he was correct.

Co-Chair Thompson remarked that this was the reason that the bill would not be leaving the current committee meeting.

[9:52:55 AM](#)

Representative Edgmon referred to Section 3 of the bill. He noted that it was difficult to not draw some parallels between the legislation and SB 74. He remarked that the issue overlaid a number of state agencies, and had statewide impacts as a whole. He wondered if the director was listed because of current statute. He asked if the commissioner should be in charge of the decisions.

Ms. Wing-Heier referred to Title 21 and relayed that it referred to the director.

Representative Edgmon surmised that the division was likely to have to come back to the legislature.

Mr. Parady commented that the Director of Insurance did have authority. He noted that the Commissioner of Insurance was elected in several other states.

Representative Edgmon wondered how the reporting worked for the division.

Ms. Wing-Heier stated that the Division of Insurance provided an annual report to legislators every year.

Representative Edgmon asked why the issue had not been brought forward sooner.

Mr. Parady stated that he thought it had to do with Moda bowing out.

Co-Chair Thompson was shocked that there was previously a zero fiscal note, and suddenly would tap the general fund by \$55 million.

Mr. Parady replied that the bill language stated that it "may appropriate", and acknowledged that the bill had no effect until appropriation.

Representative Edgmon queried the definition of high risk residents. He wondered if that definition was tied to the Affordable Care Act's definition.

Ms. Wing-Heier replied that it was done to comply with the guaranteed issue provision of the Affordable Care Act, so anyone could seed claims to ACHIA.

Representative Edgmon wondered whether medical reasons included behavioral health issues.

Ms. Wing-Heier replied in the affirmative.

[9:58:57 AM](#)

Representative Guttenberg referred to SB 74 in Section 6, which dealt with efficiencies that Department of Health and

Social Services (DHSS) was supposed to present planning efforts to coordinate driving costs downward, and herd efficiencies across all entities involved with delivering services. He stressed that the problem with the rising cost of delivering health care was the largest component in the budget. He queried a cabinet level focus on the issue.

Mr. Parady responded in the affirmative. He explained that the Health Care Authority included the commissioner of Administration, the commissioner of the Department of Labor and Workforce Development; the commissioner of Department of Commerce, Community and Economic Development; and was at the highest levels of the administration.

Representative Guttenberg wondered if the bill initiated those meetings.

Mr. Parady replied that those meetings had previously occurred, were ongoing, and were melding under the current authority.

Representative Munoz referred to the premium tax receipts referred to in the fiscal note. She wondered whether the tax receipts were on private policies, and if so, whether it was the 23,000 individual policies.

Mr. Parady responded in the negative. He explained that it would be across all lines of insurance.

Vice-Chair Saddler asked if ACHIA was working from the actuary stand point.

Ms. Wing-Heier replied that ACHIA was working, except that it did not extend to everyone. There was a limited set of people who qualified for ACHIA.

Vice-Chair Saddler remarked that giving individual market dynamic distortion. He felt that the financial impacts of the Affordable Care Act were expensive.

Representative Wilson looked at the "Claims Data" (copy on file). She looked at CC Set 4, and wondered why the \$78 million was not on the fiscal note.

Mr. Parady looked at CC set 2, and remarked that the bill would take the 20 highest cost drivers, and seed them to ACHIA. He stated that the appropriation would require ACHIA

to pay those costs. He remarked that the effect would not require them in the rate filing, because they would not be paid by the insurance company. He stated that the definition of the appropriation was given by the legislature, which would limit the costs that were seeded to ACHIA.

[10:05:43 AM](#)

Representative Wilson surmised that it would be a loss to insurance companies. She asserted that the \$20 million loss would still allow the insurance companies to break even or experience a gain with the removal of the group.

Mr. Parady responded that there was a two-pronged approach. He explained that there was an appropriation to lessen the rate increase, but there will be a rate filing that would reflect rates that were not excessive and must be adequate. He noted the 40 percent rate increase three years, resulting in an over double over three years. He remarked that the rate increase would moderate, but the people would have their coverage.

Ms. Wing-Heier indicated that people would continue to get insurance, and everyone paid the same rate regardless of level of sickness. She stated that the sick person's claim go out, and hopeful slow the rate of increase of both premiums.

Representative Wilson wondered what would happen to the people who were not a part of the 23,000.

Ms. Wing-Heier stated that those individuals were not a part of the discussion.

Representative Wilson understood that it was not part of the discussion but that was her concern. She remarked that some of her constituents' premiums had increased so significantly that they chose not to pay for insurance. She stressed that there was a portion of the population who would not be helped by the legislation.

Ms. Wing-Heier replied that insurance had an individual market, small group, and large group. The small group, which was rated, did not see the rate increases of the individual market. She stressed that the small group was performing fairly well. She shared that the rates had

increased, but had not increased like the individual market. She shared that she had not seen the three time 40 percent rate increases. She stressed that the group was not in a "death spiral." She remarked that there was also competition in the small group; and it was a larger pool. She reiterated that the individual market was in the "death spiral."

Representative Wilson queried the difference between a small group and an individual market.

Ms. Wing-Heier explained that a small group was under 50 employees. The individual market had no employee sponsor.

Co-Chair Thompson still did not understand why the bill was being brought forward with a \$55 million fiscal note. He wondered why the issue was not addressed in the budgeting process.

Mr. Parady replied that the original version of the bill, there was a contemplation of a per person, per member charge of \$20, which would have spread the cost over a wide range of Alaskans. That proposal would have funded the amount. He stated the provision encountered resistance, because there would be a budgetary increase to some groups. He stressed that removing the funding mechanism defaulted to an appropriation approach. He remarked that an alternative may be an insurance tax, or legislative discretion.

Co-Chair Neuman stated that if Alaska was going to set up a high risk pool.

Mr. Parady answered that the Affordable Care Act required providers to offer coverage to every American, there was no incentive.

[10:13:06 AM](#)

Co-Chair Neuman wondered if there was an analysis regarding an increased financial risk to the state by the insurance companies' desire to drop the higher costs further.

Ms. Wing-Heier replied that the state would only pick up the appropriation actuarially. She shared that the top 20 was approximately \$55 million.

Representative Gara felt that any problem with bill introduction should be addressed. He wondered whether the administration would be amendable to add the survivors of first responders' legislation into the bill.

Co-Chair Thompson replied that he did not believe that would occur in the committee.

Representative Gara stressed that he was a member of the committee, and wanted that particular legislation.

Co-Chair Thompson set aside the bill.

HB 374 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson reviewed the agenda for the following day. He relayed that the meeting was recessed to a call of the chair [Note: the meeting never reconvened].

#

ADJOURNMENT

[10:16:14 AM](#)

The meeting was adjourned at 10:16 a.m.