

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 16, 2016

1:54 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Shelley Hughes, Vice Chair  
Representative Jim Colver  
Representative Gabrielle LeDoux  
Representative Cathy Tilton  
Representative Sam Kito

**MEMBERS ABSENT**

Representative Andy Josephson  
Representative Mike Chenault (alternate)

**OTHER LEGISLATORS PRESENT**

Senator Lesil McGuire

**COMMITTEE CALENDAR**

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."

- MOVED CSHB 374(L&C) OUT OF COMMITTEE

SENATE BILL NO. 203

"An Act relating to overtime pay eligibility for medical care providers employed by common air carriers or by carriers that transport mail by air for the federal government and to overtime pay eligibility for flight crews and medical care providers employed by air ambulance service providers."

- SCHEDULED BUT NOT HEARD

SENATE BILL NO. 193

"An Act extending the exemption from regulation by the Regulatory Commission of Alaska for certain facilities or plants generating energy from renewable energy resources."

- SCHEDULED BUT NOT HEARD

SENATE BILL NO. 206

"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."

- SCHEDULED BUT NOT HEARD; PENDING REFERRAL

**PREVIOUS COMMITTEE ACTION**

BILL: HB 374

SHORT TITLE: REINSURANCE PROGRAM; HEALTH INS. WAIVERS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/25/16	(H)	READ THE FIRST TIME - REFERRALS
03/25/16	(H)	L&C
04/15/16	(H)	L&C AT 3:15 PM BARNES 124
04/15/16	(H)	-- MEETING CANCELED --
04/16/16	(H)	L&C AT 9:00 AM BARNES 124

**WITNESS REGISTER**

LORI WING-HEIER, Director  
Anchorage Office  
Division of Insurance

Department of Commerce, Community & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Presented the proposed committee substitute (CS) for HB 374.

BARBARA HUFF-TUCKNESS, Director  
Governmental and Legislative Affairs  
Teamsters Local 959  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of the proposed committee substitute for HB 374.

DAVE JONES, Assistant Superintendent  
Kenai Peninsula Borough School District

Soldotna, Alaska

**POSITION STATEMENT:** Testified in support of the proposed committee substitute for HB 374.

**ACTION NARRATIVE**

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**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 1:54 p.m. Representatives Olson, Tilton, Hughes, and Kito were present at the call to order. Representatives LeDoux and Colver arrived as the meeting was in progress. Senator Lesil McGuire also was present.

**HB 374-REINSURANCE PROGRAM; HEALTH INS. WAIVERS**

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CHAIR OLSON announced that the first order of business would be 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."

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REPRESENTATIVE HUGHES moved to adopt the proposed committee substitute for HB 374, Version 29-GH2126\H, Wallace, 4/15/16, as the working document.

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CHAIR OLSON objected for discussion purposes.

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LORI WING-HEIER, Director, Anchorage Office, Division of Insurance, Department of Commerce, Community & Economic Development, informed the committee that the individual market for health care in Alaska is in somewhat of a crisis because the state only has two individual insurers, Premera and Moda Health (Moda), and Moda is severely financially stressed. This year, the division of insurance removed Moda from the exchange and suspended its certificate of authority. Both Moda and Premera

insurance companies have suffered significant losses and the division is concerned that the state could lose one or both insurers, as Aetna and Assurant insurance companies have already withdrawn from the individual market in the state in the last year. Although other states are facing this issue, it is especially crucial in Alaska. Ms. Wing-Heier explained the proposed committee substitute for HB 374 changes the funding in that instead of an assessment made back to consumers, insurers, and self-insurers, Version H takes the premium tax collected by the state on all insurance, which is generally 2.7 percent, or approximately \$60 million per year, and gives the legislature authority to appropriate the tax to fund a reinsurance program. She pointed out that almost everyone in the state pays a tax on either vehicle, homeowners, commercial, medical, or life insurance, and this is the most equitable way to distribute the cost of reinsurance.

REPRESENTATIVE LEDOUX surmised the state is already collecting 2.7 percent on insurance.

MS. WING-HEIER said yes. In further response to Representative LeDoux, she agreed that the money is being moved from one place to another.

REPRESENTATIVE LEDOUX noted that the Alaska Comprehensive Health Insurance Association (ACHIA) provides coverage for those who have been denied coverage; however, she pointed out that the Patient Protection and Affordable Care Act (PPACA) prevents the denial of insurance, and questioned whether ACHIA was still needed.

MS. WING-HEIER explained that some remain in the ACHIA program who are buying prescription drugs that they cannot afford or can't get because there is not a market in Alaska, thus the program has not been deactivated.

REPRESENTATIVE LEDOUX inquired as to insurance coverage for the aforementioned population under PPACA coverage.

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MS. WING-HEIER stated that those affected by the proposed CS for HB 374 would still purchase their insurance through Premera and Moda, and "behind the scenes, Premera and Moda would cede the claims to ACHIA where the claims would be administered .... The claims and the premium would go to ACHIA, but your eye would still think we're insured with Premera or Moda."

REPRESENTATIVE LEDOUX asked how many people are affected and for the cost.

MS. WING-HEIER said there are 23,000 people in the individual market; the number of high risk is estimated at 300.

REPRESENTATIVE LEDOUX inquired as to the cost for the aforementioned 300 people.

MS. WING-HEIER said the legislature must determine the amount it would appropriate, and in order to stabilize the market, approximately \$55 million would need to be appropriated. In further response to Representative LeDoux, she pointed out that a small number are generating claims that cause the pool to pay out more than is collected.

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REPRESENTATIVE COLVER restated that 300 people are causing an overrun of \$55 million.

MS. WING-HEIER stressed that the number of high risk insured is an estimate. In November 2015, the division took data from Premera, Moda, and Assurant, and an independent actuary arranged claims by cost to find the highest claim codes for certain conditions. The data indicated that treatment of the "top ten" diseases resulted in about \$25 million removed from the pool. Thus to get to a 15 percent to 18 percent stabilization factor, not necessarily a rate reduction, the division needs approximately \$55 million in a reinsurance fund.

REPRESENTATIVE COLVER concluded that without a solution, 23,000 individual policy-holders in Alaska may have huge increases in their insurance premiums.

MS. WING-HEIER stressed that her biggest concern is to keep an insurance market in the state.

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REPRESENTATIVE COLVER said:

It's your opinion that our individual policies in Alaska through the Affordable Health Care Act would collapse without us taking some action here.

MS. WING-HEIER said yes.

REPRESENTATIVE LEDOUX inquired as to the consequences of eliminating ACHIA.

MS. WING-HEIER stated that ACHIA has a few participants who pay premiums, and also insures a number of individuals who are unable to get prescription coverage from another source because they need high-risk drugs. These individuals would not be able to afford their prescriptions; those who need major medical coverage could apply to PPACA.

REPRESENTATIVE LEDOUX suggested that ACHIA may just cover those who need coverage for drugs, because "it just seems like an awful lot of money for a relatively few people."

MS. WING-HEIER restated that currently ACHIA is covering "a handful" of people who are very sick, and who are causing the claims to be askew. The intent is to cede the claims to a reinsurance pool run through the authority of ACHIA.

REPRESENTATIVE LEDOUX said it would make more sense to "cede those people to the Affordable Care Act."

MS. WING-HEIER explained that the insured in question would still go back into the reinsurance pool, and ACHIA, because they qualify for the certain conditions quantified under the study by the actuaries.

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REPRESENTATIVE HUGHES expressed her understanding of the situation, and asked how the proposed CS addresses concerns brought forward in opposition to HB 374.

MS. WING-HEIER said that currently ACHIA is funded through an assessment to the insurance companies, and the insurance companies are required to repay ACHIA for its losses each year. The original bill sought to change the allocation and to have everyone pay the same; in addition, stop-loss carriers and self-insured would have to pay more. Instead, the proposed CS funds reinsurance from the premium tax that all already pay.

REPRESENTATIVE KITO stated his understanding of the situation and Ms. Wing-Heier agreed.

CHAIR OLSON asked whether the division is operating under a waiver.

MS. WING-HEIER said no. The bill gives the director of insurance the authority to apply for a PPACA Section 1332: Waiver for State Innovation, which is a long public process to apply to the Centers for Medicare and Medicaid to determine whether the state can participate more successfully as a state-regulated program, as opposed to a federally-regulated program. A waiver allows the state to apply under certain "guardrails" for 95 percent to 97 percent of the federal tax credits paid as premium subsidies. There are certain criteria to obtain the waiver, such as legislative authority is needed to apply, and the division seeks to explore this possibility.

CHAIR OLSON asked, "If we don't do it, are we going to be forced into opening up an exchange, or being responsible for an exchange."

MS. WING-HEIER said no.

REPRESENTATIVE COLVER observed that small states are suffering, and a provision is needed in PPACA so that smaller states in the western region could join an area-wide pool and spread out the risk for carriers.

MS. WING-HEIER advised that previous regulations prevent insurance from being sold across state lines.

REPRESENTATIVE COLVER stated that those living in states with larger populations would be outraged at the premiums paid by those in smaller states.

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MS. WING-HEIER advised that in Alaska a married couple 50-60 years of age making \$80,000 will pay \$40,000 under the current rate structure of PPACA.

REPRESENTATIVE LEDOUX asked whether the law restricting insurance from being sold across state lines was federal or state law.

MS. WING-HEIER answered federal law, affecting all types of insurance. She added that the proposed committee substitute for HB 374 is important to all Alaskans. She remarked:

But the bottom line is we've got 23,000 Alaskans that are not going to have health insurance, the bottom line is if we don't do something about health insurance, if we don't do something about the cost of health care, we're not going to jumpstart this economy. The cost of uncompensated care is going to impact all of us when we go see our doctor, when we go to the hospital. This is just a start of something we have to do, something that should be addressed seriously, and we ask for your support in getting this bill out of committee.

CHAIR OLSON observed that the bill would slow down increases on all policies.

MS. WING-HEIER said yes.

REPRESENTATIVE LEDOUX questioned whether someone who moves to Alaska must cancel their health care policy.

MS. WING-HEIER responded that they would have to buy their insurance here because they are a resident of Alaska.

REPRESENTATIVE KITO expressed his interest in expanding the insurance pool to other states because smaller states do not have a population sufficient to amortize costs for those individuals with significant health care issues. He stated that the bill creates an opportunity for insurers "to keep things going for a little while longer, until hopefully we can find a bigger solution."

MS. WING-HEIER provided the following sectional analysis:

Section 1: allows the legislature to appropriate an amount to be determined to fund the reinsurance program;

Section 2: gives the director of insurance the authority to apply for the Section 1332 Innovation Waiver;

Section 3: allows for an effective date.

CHAIR OLSON advised that the legislature is "involved in the process all the way through."

REPRESENTATIVE COLVER asked whether an amendment will be offered.

CHAIR OLSON said an issue will be addressed when the bill is held in the House Finance Committee.

MS. WING-HEIER discussed an amendment which was not offered.

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CHAIR OLSON removed his objection to adopting the proposed committee substitute for HB 374. There being no further objection, Version H was before the committee.

CHAIR OLSON opened public testimony.

[2:23:41 PM](#)

BARBARA HUFF-TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, stated her organization's support for the committee substitute for HB 374. She informed the committee that PPACA is a very complicated and frustrating issue for employers and unions; in fact, benefit plans for union members are currently being downgraded, which is counter to protecting benefits for employees.

CHAIR OLSON asked what effect the original version of the bill would have had on Teamsters Local 959.

MS. HUFF-TUCKNESS said the bill would have cost the Teamster-Employer Health and Welfare Plan over \$1.2 million.

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DAVE JONES, Assistant Superintendent, Kenai Peninsula Borough School District, informed the committee he is the plan administrator for the Kenai Peninsula Borough School District's (KPBSD) self-funded health care plan. He said HB 374 would have added significant cost to KPBSD's health care plan without further benefits to its members. The committee substitute addresses his concerns, and he expressed support for the committee substitute for HB 374. In response to Chair Olson, he said the original bill would have cost KPBSD approximately \$861,648.

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The committee took a brief at ease.

REPRESENTATIVE COLVER noted that HB 374 would have affected all self-insured plans including those of school districts and municipalities, as pointed out during public testimony. He expressed his support for the committee substitute.

MS. WING-HEIER said that the committee substitute fiscal note remains zero related to the division of insurance. However, the revenues are indeterminate, and would be based on what is appropriated by the legislature for the program.

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CHAIR OLSON, after ascertaining no one else wished to testify, closed public testimony.

[2:31:18 PM](#)

REPRESENTATIVE HUGHES moved to report the committee substitute for HB 374, Version 29-GH2126\H, Wallace, 4/15/16, out of committee with individual recommendations and forthcoming fiscal notes. There being no objection, CSHB 374(L&C) was reported out of the House Labor and Commerce Standing Committee.

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#### **ADJOURNMENT**

The House Labor and Commerce Standing Committee meeting was recessed at 2:31 p.m. [The meeting reconvened at 10:03 a.m. on 4/17/16.]