

SENATE FINANCE COMMITTEE  
FOURTH SPECIAL SESSION  
June 1, 2016  
9:02 a.m.

9:02:01 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair  
Senator Peter Micciche, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

Senator Pete Kelly, Co-Chair

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; Senator Cathy Giessel; Senator Mia Costello.

SUMMARY

CSHB 374(FIN)

REINSURANCE PROGRAM; HEALTH INS. WAIVERS

CSHB 374(FIN) was HEARD and HELD in committee for further consideration.

#hb374

CS FOR HOUSE BILL NO. 374(FIN)

"An Act relating to coverage under a state plan provided by the Comprehensive Health Insurance Association; establishing the Alaska comprehensive

health insurance fund; relating to a reinsurance program; relating to the definition of 'residents who are high risks'; relating to an application for a waiver for state innovation for health care insurance; and providing for an effective date."

9:03:13 AM

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

9:03:20 AM

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

Mr. Parady explained that the bill would initially address a complex set of issues. The bill would make changes to the Alaska Insurance Code for assessments made under a reinsurance program established to reinsure "residents who are high risks." As the code is currently written, a member of the reinsurance program may offset 50 percent of the amount of the assessment made under the reinsurance program (and other state health insurance programs) as a premium tax credit. The bill would remove the assessments made in relation to the high risk reinsurance program from the offset provision. The bill also would amend the definition of "residents who are high risks." These changes were intended to provide a mechanism to help insurers spread the risk of high-cost claims in the individual health insurance market. The bill also would authorize legislation to allow the state to seek a waiver of certain requirements under the Affordable Care Act (ACA).

Co-Chair MacKinnon surmised that the state was losing insurance carriers. She felt that the two issues in the bill were the losing of carriers and the high cost of insurance. Mr. Parady replied that the assertion was generally correct. He announced that there were 23,000 Alaskans in the individual insurance market, who would not have access to insurance if the one provider left the state. The bill was an attempt to sustain the system, and get through the crisis in the near term.

Senator Bishop wondered whether Congress was intending to fix the issue of the risk corridor.

Ms. Wing-Heier replied that the congress had not yet addressed the risk corridor. She stated the state's congressional delegation was aware of the risk corridor.

Co-Chair MacKinnon surmised that, under ACA, there was a subsidy from the federal government as an incentive to cover Alaskans that may or may not have been insured. She felt that the federal government was stepping back from the subsidy. She wanted to know why this was an issue for Alaska. Ms. Wing-Heier responded that the federal government had three subsidies: reinsurance program, risk corridor, and risk adjustment. She stated that two of those programs would end in 2016. The programs were meant to stabilize the market.

[9:09:35 AM](#)

Vice-Chair Micciche wondered how the individuals were covered prior to ACA. Ms. Wing-Heier replied that many of the individuals were in ACHIA in the high risk pool. She stated that some were in ACHIA, but the majority migrated to ACA in 2014. She stated that others had enrolled because of the guaranteed enrollment provision. She remarked that many could not afford the premium in ACHIA. She stated that the 495 people were driving the market.

Vice-Chair Micciche wondered how the costs were shifted to the state. Ms. Wing-Heier replied that the \$55 million looked at the reinsurance fee, and the tax that was paid to the federal government. She stated that the \$55 million looked to stabilize rates between 15 and 18 percent. She stated that a healthy rate increase was expected.

Mr. Parady furthered that ACHIA had a narrower definition of high cost claims of the covered areas. He stated that there were uninsurable people under the former regime, who were now under guaranteed coverage.

Senator Hoffman queried a history of ACHIA. Ms. Wing-Heier replied that ACHIA was formed in the 1980s, because there were many sick Alaskans who could not receive insurance because the market would not accept them. In the 1980s, the market was allowed to underwrite.

Senator Hoffman queried the experience of other states. Ms. Wing-Heier replied that the high-risk pools were expiring, because of the ACA.

[9:14:34 AM](#)

Senator Hoffman wondered whether other states had to provide high checks in the transition. Ms. Wing-Heier replied that the only other state examining reinsurance was Oregon.

Senator Bishop noted that the federal government should have agreed to fully fund ACA. Ms. Wing-Heier replied that even with federal funding, there would still be an issue with high cost claims.

Senator Bishop stressed that the amount of money from the state may be lower, had the federal government met their financial obligation. Ms. Wing-Heier replied in the affirmative.

Co-Chair MacKinnon asserted that the federal government set a number of incentives that anticipated cost shifting. Ms. Wing-Heier agreed.

[9:17:24 AM](#)

Senator Dunleavy queried the future projections of the bill, with the current fiscal note. Mr. Parady replied that the bill took care of the first year. He stated that Alaska had experienced 30 to 40 percent rate increases in each of the last two years. He asserted that, without the bill, it was anticipated that the 23,000 would face a similar rate increase in the current year. He stated that the \$55 million addressed those high cost claims in the coming year, and directly impacted the rate filing that would occur and be approved in July and August. He remarked that the bill left the legislature with the discretion to how it would approach the issue in the future.

Ms. Wing-Heier shared that the bill also allowed for the state to apply for Section 1332 Waiver. She stated that, in 2017, ACA allowed the state to bring ACA home.

Senator Dunleavy wondered if there would be additional calls upon the state to continually fund the program. Ms.

Wing-Heier replied in the affirmative, but it may be a different funding mechanism.

[9:20:51 AM](#)

Vice-Chair Micciche queried the conditions that caused a company to leave the state or county. Ms. Wing-Heier replied that the state had no control over whether a company leaves the state. The only requirement was statutory notice.

Vice-Chair Micciche queried the economic conditions draw coverage to the state. Ms. Wing-Heier replied that there was a concern about Premera leaving Alaska, or only continue in the urban areas.

Vice-Chair Micciche queried a list of future impacts from ACA. Ms. Wing-Heier replied that there was a hope to see changes in the ACA to benefit Alaska and the nation.

Mr. Parady furthered that the issue resided with the federal government's payment of 12.6 percent on the anticipated risk base corridor, which was Moda's impetus to leave the state. He stated that there was not a huge volume of people to spread the high cost of a limited number of people.

[9:25:15 AM](#)

Senator Olson wanted to ensure that the state would not have to draw further. He queried preparations for a possible revocation of ACA. Ms. Wing-Heier replied that she did not believe that ACA would be recalled, rather it would be amended.

Senator Olson remarked that the legislature was continually confronted with federal overreach, and the state had control over its response to the situation. He queried the safeguards to ensure the issue would not happen again. Ms. Wing-Heier replied that she hoped that the bill would be a safeguard.

Senator Olson stressed that there was not optimism that the bill would be the last effort to draw from the general fund to cover the cost of health care.

Co-Chair MacKinnon recommended history as requested by Senator Hoffman. She remarked that everyone was concerned about Alaskans who had trouble accessing health care. She wondered what the other states, in the 1980s enacted, other than the high-risk pool. Ms. Wing-Heier replied that almost every state had a high-risk pool, but most of them were limited to those who were rejected from an insurance company; limited in diagnoses; and were very expensive. She shared that many people were able to get insurance, but could not afford the insurance. Those people were then treated through the emergency room or uncompensated care.

[9:30:35 AM](#)

Co-Chair MacKinnon stressed that the bill was not about excluding anyone from receiving care that contributed to their wellbeing. She requested a cut sheet on the 495. She felt that the committee was familiar with the cost of health care through Medicaid and Medicare reimbursements for the state.

Senator Hoffman expressed concern with mobility. He wondered how other people moved from state to state, and switch their coverage under ACA. He wondered if there was an anticipation of people examining where they could receive the best care. Mr. Parady replied that Alaska was not attractive to a highly sick individual.

Senator Hoffman stressed that he was concerned with all the individuals. He wondered if people looked to other states that would have better or higher levels of care than other states. Ms. Wing-Heier replied in the affirmative.

[9:35:04 AM](#)

Co-Chair MacKinnon asked for a graph that showed the population in the pool over 20 years.

Vice-Chair Micciche wondered if there was a national risk pool when considering ACA. Ms. Wing-Heier replied that there were some discussions about doing regional risk pools.

Vice-Chair Micciche felt that the federal government should subsidize that pool, in order to cover the risk pool.

Co-Chair MacKinnon requested the demographics of the population that was driving the cost.

[9:38:35 AM](#)

Senator Dunleavy remarked that there was an effort to drive down cost, but felt that the federal government was in charge of driving down that cost. He felt that the bill was only cost shifting. He did not understand how that cost would be reduced in the long-term. Mr. Parady replied that the legislature did not miss anything when dealing with the massive effort of the Medicaid program.

Senator Dunleavy assumed that there was a risk of the providers leaving Alaska. Mr. Parady agreed.

Co-Chair MacKinnon wondered whether the federal government expanded the qualified conditions under ACA. Ms. Wing-Heier replied in the affirmative.

Mr. Parady furthered that ACHIA had a definition of cost codes. The bill proposed to take the \$53 million in high cost claims, and hand them to ACHIA.

Co-Chair MacKinnon requested a sectional analysis.

[9:43:23 AM](#)

Ms. Wing-Heier discussed the Sectional Analysis (copy on file):

Sec. 1. AS 22.55.320 is amended by adding a new subsection to require that the when a person with a disability, (as defined by Title XVIII of the Social Security Act) is to be referred by the insurer to ACHIA.

ACHIA's administrator shall then request that the State of Alaska's Department of Health and Social Services provide the person with information about applying for any federal benefits that they may qualify for, such as Medicare or Medicaid.

Co-Chair MacKinnon wondered if the section caused an increase to the fiscal note. Ms. Wing-Heier replied that it did not cause an increase to the fiscal note.

[9:44:25 AM](#)

Ms. Wing-Heier continued to discuss the Sectional Analysis:

Sec 2. AS 21.55.400 amends the duties of the director to allow the director to formulate and adopt regulations that are reasonably necessary to administer the chapter (ACHIA) and specify the covered conditions eligible for payment through appropriations from the Alaska comprehensive health insurance fund established under AS 21.55.430.

Sec. 3. AS 21.55.430 (a) amends the Alaska Comprehensive Health Insurance Association (ACHIA), Chapter 55, by creating the Alaska comprehensive health insurance fund and by providing that the Department of Administration, shall separately account for revenue collected as insurance premium tax under:

- AS 21.09.210 - Tax on insurers
- AS 21.33.055 - Unauthorized insurance premium
- AS.22.33.061 - Independently procured insurance
- AS 21.34.180 - Surplus lines
- AS 21.66.110 - Title insurance

The net proceeds shall then be deposited into the Alaska comprehensive health insurance fund. The Department of Administration shall deposit interest earned on the Alaska comprehensive health insurance fund into the general fund.

(b) provides that the legislature may use the annual balance in the Alaska comprehensive health insurance fund, as established in (a), to make appropriations to the Department of Commerce, Community, and Economic and Economic Development to fund the reinsurance program under Chapter 55.

(c) states that payment for claims under the reinsurance program is subject to appropriation.

(d) provides that money in the Alaska comprehensive health insurance fund does not lapse.

(e) states that the Alaska comprehensive health insurance fund is not a dedicated fund.

(f) defines net proceeds, as used in (a) to include the revenue under the taxes listed in (a) less all return premiums, fess under AS 23.05.067, errors and other adjustments, penalties and interest on late payments.

In 2014 the division collected approximately \$74M in total receipts of which \$64M was premium taxes. Of that \$64M approximately \$5M transfers to the Department of Labor as a Workers' Compensation Service

Fee as required under AS 23. 05.067. The potential would be that the legislature could appropriate up to an estimated \$59M based on the division's 2015 annual report.

The operating expenses of the division are restricted funds and collected as licensing, surplus lines, risk retention groups, purchasing groups certificate of authority, continuing education, examination expenses, fingerprinting and other fees in addition to retaliatory taxes and are not be subject to this bill.

[9:45:48 AM](#)

Co-Chair MacKinnon wondered if there was a nexus for the tax collection with any other expenses currently covered from the general fund. Ms. Wing-Heier replied that 09.210 was the largest collection from the division, which was tax on insurers that was generally 2.7 percent. The tax was approximately \$55 million in the year prior.

Co-Chair MacKinnon queried the tax codes. Ms. Wing-Heier replied that 21.09.210 was tax on insurers. She stated that 33.061 was independently procured.

Senator Hoffman asked for clarification.

Co-Chair MacKinnon looked at the sectional analysis, and remarked that there was a list of tax codes. Ms. Wing-Heier replied that they should all be 21.

Senator Hoffman wondered if it was 21 in Section 1. Ms. Wing-Heier replied in the affirmative. She announced that all codes were 21.09.210 as tax on insurers. She stated that 21.33.055 was unauthorized insurance premium tax. She announced that 21.33.061 was independently procured insurance. She stated that 21.34.180 was surplus lines. She announced that 21.66.110 was title insurance, at one percent.

Co-Chair MacKinnon wondered when the statutes were put in place, and whether the taxes were put in place for specific funding. Ms. Wing-Heier replied that she did not know why the taxes were initiated.

Co-Chair MacKinnon queried a comparison to other states. Ms. Wing-Heier replied that the state's taxes were in range with other states.

Senator Dunleavy queried a proposed increase on any of the taxes. Ms. Wing-Heier replied in the negative.

Senator Dunleavy surmised that the tax would be used for the fund. Ms. Wing-Heier replied in the affirmative.

Vice-Chair Micciche wondered how many states had advocated a provider tax. He asked whether Alaska was the only state without a provider tax. Ms. Wing-Heier replied that Alaska was the only state without a provider tax.

Vice-Chair Micciche asked whether the state was below what would normally cover the cost. Ms. Wing-Heier specified that she was addressing the provider-premium tax.

Mr. Parady furthered that there was an analysis by the Kaiser Commission (copy on file) that addressed the Medicaid and the uninsured. He agreed to provide further information.

[9:50:52 AM](#)

Ms. Wing-Heier continued to discuss the Sectional Analysis:

Sec. 4. AS 21.55.500 (20) amends the definition of "residents who are high risks" by deleting the requirement that the person be unable to obtain insurance coverage substantially similar to that which may be obtained by a person who is considered a standard risk. Under the ACA, an insurer is no longer allowed to deny coverage to a person based on a pre-existing condition making this part of statute a moot point.

Deleting this language enables the creation of the reinsurance program and provides the director of insurance with the flexibility needed in designing the program by authorizing the director to supplement the definition of "residents who are high risk"

Sec. 5. AS 21.96 is amended by adding a new section to allow for a waiver for state innovation. Under the ACA, states may submit an application to the Secretary of the United States Department of Health and Human Services requesting a waiver from certain provisions of the Act. In order to receive this waiver, the state must have enabling legislation and

Sec. AS 21.96.120 provides that the director of the Division of Insurance may apply for a waiver and, if granted, implement a state plan meeting the waiver requirements in a manner consistent with state and federal law.

Sec. 6. Provides for retroactivity for section 3.

Sec. 7. Provides for an immediate effective date.

9:52:20 AM

Ms. Wing-Heier discussed the presentation, "Department of Commerce, Community and Economic Development; Division of Insurance; HB 374 - Reinsurance Program; Health Insurance Waivers presented to Senate Finance; Director Lori Wing-Heier; May 31, 2016" (copy on file).

9:52:29 AM

Ms. Wing-Heier looked at 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.

Ms. Wing-Heier highlighted 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 discussed 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 highlighted 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 addressed 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.

[9:54:38 AM](#)

Ms. Wing-Heier looked 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

[9:54:49 AM](#)

Ms. Wing-Heier discussed slide 8, "We are working to keep the market solvent." She stated that the rates and forms would originally be filed as early as May 11, with the cutoff date of July 15. She did not have the rates from Premera, because they were waiting to see what would happen with the bill.

Vice-Chair Micciche looked at slide 7. He wondered if there was a requirement to cover the difference between the prior definition for high risk and ACA. Ms. Wing-Heier replied that there was no state obligation.

Vice-Chair Micciche felt that there was a delta of what the state was covering and the expansion for the definition of every high risk category in ACA. He wondered why the state would volunteer with the expanded definition of ACA. Mr. Parady replied that the issue was not the expanded definition, rather ACA required universal coverage.

Co-Chair MacKinnon wondered if there was an unfunded mandate to the state if ACA required universal health care.

Vice-Chair Micciche he felt that the answers were opposite of one another.

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Co-Chair MacKinnon recalled a conversation to refine the answer to the people of Alaska.

Vice-Chair Micciche remarked that the federal government had made requirements under ACA, and the state did not put pressure on the federal government to cover that unfunded mandate. He remarked that the state had volunteered to

cover the additional risk. Mr. Parady replied with slide 7, and slide 11, "Actuarial Analysis."

Vice-Chair Micciche appreciated that response. He stressed that ACA may not work for Alaska.

Co-Chair MacKinnon requested demographic criteria.

[10:08:43 AM](#)

Ms. Wing-Heier highlighted slide 9, "Funding Mechanisms":

- Version A of HB 374 funded the reinsurance program by amending statute to allow for an assessment to insurers based on total covered lives. This funding mechanism would have increased costs for organizations and businesses purchasing stop loss insurance by approximately 20 dollars per covered life, and met with strong opposition by those impacted, such as school districts.
- In version P, the program is funded by creating the Alaska comprehensive health insurance fund and separately accounting for insurance premium tax revenues which would then be appropriated by the Legislature to pay for ACHIA. Previously, the premium taxes lapsed to the general fund after being collected.

Ms. Wing-Heier discussed slide 10, "Premium Taxes":

Annual collections of premium taxes for the prior three fiscal years are: \$52 million in FY2013; \$55 million in FY2014; and \$64 million in FY2015.

- AS.21.09.210 - Tax on insurers
- AS 21.33.061 - Independently procured insurance; premium tax
- AS 21.34.180 - Surplus lines tax
- AS 21.66.110 - Annual tax on title insurance premiums

Ms. Wing-Heier addressed slide 12, "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 two weeks' notice of the amount (if any) appropriated under HB374

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Senator Dunleavy queried the time frame. He felt that the bill was cost sharing. He wondered whether the \$195,000 insured in perpetuity, or only the current issues. Mr. Parady clarified that the structure was to take the claims associated with the cost codes. He explained that the individual would continue to retain their insurance, but the cost codes would move to ACHIA. He stated the time frame was a one-year treatment to sustain the individual market. He remarked that the problem would not disappear after one year.

Senator Dunleavy felt that there would be annual continued request of funding to continue to support the issue. Mr. Parady agreed, coupled with work to be done on sourcing from mechanisms other than the general fund.

Co-Chair MacKinnon surmised that the legislation would establish a fund by taking a current revenue stream to charge the fund. Mr. Parady replied in the affirmative.

Co-Chair MacKinnon announced that moving the money would cause a "hole" in the general fund.

Senator Dunleavy wondered what would occur to the appropriated money in the general fund. Mr. Parady agreed with Co-Chair MacKinnon's comment.

Senator Dunleavy surmised that it was a cost-shift. Mr. Parady replied that "there's no free lunch."

Senator Dunleavy felt that the hole in the general fund did not disappear. Mr. Parady stressed that the utilized funds were generated from a nexus associated with health care.

Co-Chair MacKinnon commented that she assumed that the taxes were initiated to fund something else.

Senator Olson recalled that there was a medical malpractice issue in the 1980s. He wondered if the bill was adequate to ensure more providers come to the state, and queried the

timeline for that effort. Ms. Wing-Heier replied that there had been an examination of that issue in the 1980s. She hoped that the bill would not cause the same result.

Senator Olson queried how long the "pendulum" would swing back. Ms. Wing-Heier hoped for three or four years before the competition would return to Alaska. There was a hope for an innovation waiver at that time.

[10:15:30 AM](#)

Co-Chair MacKinnon asserted that she was not familiar with the issues in the 1980s. Ms. Wing-Heier replied that there was no medical malpractice insurance in the state in the 1980s. She agreed to provide further information.

Co-Chair MacKinnon wondered if the state charged the doctors a malpractice fee. Ms. Wing-Heier replied in the affirmative.

Co-Chair MacKinnon queried the opinion on that fee. Ms. Wing-Heier replied that it was examined as a solution for the current year. She did not recommend it.

Senator Olson surmised that that recommendation was not yet occurring. Ms. Wing-Heier agreed.

Senator Olson recalled that the high risk pregnancy coverage was becoming impossible in the 1980s.

Senator Dunleavy remarked he was concerned about the hole in the general fund.

Co-Chair MacKinnon remarked that the hole would be in place in perpetuity.

Senator Olson recalled that it took three years to move back to normal, without a drastic draw in the general fund.

Senator Dunleavy wondered if there was a hope that it would only be three or four years, and the competition would close that gap. Ms. Wing-Heier replied in the affirmative.

Senator Dunleavy struggled with the title of the "Affordable Care Act."

[10:21:25 AM](#)

Co-Chair MacKinnon remarked that there should be a sunset date on the bill to encourage the department to return to the legislature to keep the fund.

Senator Dunleavy remarked that there may be a moral obligation that would be impossible to shift.

Senator Bishop felt that the legislature should work with the department to come to a solution.

Senator Olson remarked that Premera was watching the progress of the bill, and would make their business decisions by mid-July. She wondered whether a sunset was a positive or negative impact on Premera's business decisions. Mr. Parady shared that a sunset would not detract from the overall progress of Premera.

Co-Chair MacKinnon remarked that insurance was one of the most complex subjects come before any committee in the legislature. She stressed that it was broad, connected, and inter-woven with many other state and federal actions. She remarked that there was a profit at three different levels of the bill. She wondered how, under the rate filing, the state determined an acceptable provider when and insurance provider guaranteed at least 80 percent. She wondered how closely the profits were monitored. Ms. Wing-Heier replied that the benefits were a contributing factor to premiums.

10:30:20 AM

Vice-Chair Micciche stressed that he wanted to ensure that the people had the best possible care. He wanted to ensure that the state did not pay for care that was not related to their condition. He felt that the state needed to control cost across the board. He wondered how the unnecessary expenses would be restricted. Ms. Wing-Heier replied that those efforts often resulted in the insurance company interfering with health care.

Senator Dunleavy remarked that many doctors conducted extreme diagnostic work, because of the malpractice protocols requirements. He wondered why there was not an appropriation request. Ms. Wing-Heier replied that the original bill specifically said that it would be from the premium taxes. She could not speak to the change.

Mr. Parady furthered that the bill was amended in House Finance Committee.

[10:36:03 AM](#)

Ms. Wing-Heier discussed slide 13, "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 looked at slide 14, "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

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Mr. Parady noted that the attempt was to build on the foundation of Medicaid reform; develop the innovation waiver to provide for possible future change; and examine new concepts. He felt that the sunset as an impetus to the deeper work was well-founded.

Senator Bishop felt that all the discussions boiled down to cost and the delivery of services. He noted that there may need to be a working group to examine the issue.

Co-Chair MacKinnon noted that the original proposal included cost-sharing with the rate payers. There was pushback from the self-insured on that proposal. Co-Chair MacKinnon asserted that there could be a one-time appropriation and share it in the same structure as the original proposal. Ms. Wing-Heier replied that there were parts. She explained that every employee and dependent who were either self-insured or fully insured paid the reinsurance of \$2.25 per member per month. She stated that it was originally at \$6 in 2014 for the federal reinsurance. She stressed that the payments would sunset in the current year. She shared that the original thought was to have the payments directed to the state. She remarked that it had not been incorporated into the 2017 budget, because of the sunset. She remarked that everyone paid a tax, and the analysis showed approximately \$30 per member per month for individual plans and \$18 per member per month for employer plans. She remarked that a stop loss happened at large employers self-insurance, so the premium was much less than a fully insured person. She stated that the 3 percent at stop loss only was much less than the other plan.

10:44:02 AM

Mr. Parady furthered that the proposal was included in previous legislation SB 206, there were 236,000 suggested covered lives and 160,000 were in the stop loss category.

Senator Dunleavy queried asked for age to be included in the demographic information. Ms. Wing-Heier agreed to provide that information.

Senator Dunleavy wondered how closely the division had worked with the insurance companies. Ms. Wing-Heier replied

that the division had worked closely with the insurance companies to ensure that the mechanism of the reinsurance would work to stabilize the market.

Senator Dunleavy surmised that the bill would stabilize the market. Ms. Wing-Heier replied in the affirmative.

Senator Dunleavy assumed that the state would attract more insurance companies to the state with the passage of the bill. Ms. Wing-Heier replied in the affirmative.

Vice-Chair Micciche understood the intention of the bill. He felt that there could be two ways to approach the bill: stabilizing the market or providing further cash. He felt that there should be downward pressure, and the services offered that require payment. Ms. Wing-Heier replied that there was not a clear answer to the concern. She stated that the ACA was in its infancy.

Vice-Chair Micciche remarked that there should be a point of where the cost codes became adequate care without being an "open checkbook."

Senator Dunleavy appreciated the summary.

[10:49:45 AM](#)  
AT EASE

[10:51:35 AM](#)  
RECONVENED

[10:51:43 AM](#)

Co-Chair MacKinnon announced that amendments were due the following day by noon.

CSHB 374(FIN) was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT  
[10:53:10 AM](#)

The meeting was adjourned at 10:53 a.m.