

SENATE FINANCE COMMITTEE
FOURTH SPECIAL SESSION
June 1, 2016
1:03 p.m.

[1:03:19 PM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 1:03 p.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

Kate Burkhart, Alaska Mental Health Board, Juneau; Sheela Tallman, Premera Blue Cross Blue Shield of Alaska, Juneau; 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; Gina Bosnakis, Owner, Gina Bosnakis and Associates, Juneau; Senator Mia Costello; Senator Cathy Giessel; Chris Hladick, Commissioner, Department of Commerce, Community, and Economic Development.

PRESENT VIA TELECONFERENCE

David Morgan, Self, Anchorage; Nancy Merriman, Executive Director, Alaska Primary Care Association, Anchorage; Jennifer Meyhoff, Co-Chair, Legislative Committee, Alaska Association of Health Underwriters, Anchorage; Jennifer Jolliffe, Self, Anchorage.

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."

[1:04:20 PM](#)

^PUBLIC TESTIMONY

[1:04:53 PM](#)

KATE BURKHART, ALASKA MENTAL HEALTH BOARD, JUNEAU, testified in support of the legislation. She noted that she was the Executive Director of both the Alaska Mental Health Board and the Department of Health and Social Services Advisory Board on Alcoholism and Drug Abuse. She shared that she provided written testimony (copy on file). She remarked that the bill would benefit a unique portion of the Alaska Mental Health Trust Authority (AMHTA) constituency. She discussed Alaskans who had mild to moderate behavioral health conditions that could be treated with regular access to a counselor or mental health professional if the necessary resources were available. She shared that working Alaskans often could not afford the insurance plans available to them in the marketplace. Subsequently individuals went without services, which could lead to mental health conditions becoming acute, which led to a greater level of disability that impaired the ability to work. She thought that stabilizing the insurance system and providing the opportunity for more affordable options would benefit the aforementioned part of her constituency.

Ms. Burkhart stressed that there were private mental health practitioners among the AMHTA constituency that could not afford health insurance for themselves or their families, which made it very difficult to recruit and retain qualified mental health professionals. She emphasized that private practitioners were an important part of Alaska's health care sector, and served individuals with mild to moderate conditions who were not in the Medicaid system and were not among the acutely disabled population that was normally discussed. She thought it was important to support the small businesses and solo practitioners, so that they had access to more choices and more affordable insurance coverage. She remarked that the bill was not a panacea, but rather a step forward to resolving problems in the insurance sector. She expressed appreciation for earlier comments in the committee relating to a commitment to continued problem solving.

[1:08:41 PM](#)

DAVID MORGAN, SELF, ANCHORAGE (via teleconference), voiced his support for the bill. He had worked in the health industry for 32 years. He shared that he was a retired health economist, and had a breadth of experience in the health care industry. He commented on increases to private insurance, and specified that Alaska and some other states had seen an increase of over 40 percent. He remarked that there was an actuarial flaw that people had been warned about, and many groups had advocated for the current program.

Mr. Morgan continued to address the bill. He discussed insurance cooperatives (co-op). He thought the bill proposed to create a pool that was a program for chronic and acute medical conditions that were high-cost. He commented on other states that had been used as examples, and suggested that the cost-pools had developed into "black holes of cost" that states had to pay for. He suggested that the former Chronic Acute Medical Assistance (CAMA) Program would be successful if the income issues were taken out. He noted that he had six pages of written testimony (copy on file) which would provide details. He mentioned Centers of Medicare Quality. He alluded to a program by the Alaska Health Insurance Underwriters. He was worried that the institutions involved in the bill would not examine cost drivers. He discussed Medicaid expansion, and the associated costs. He mentioned future taxes. He commented

that projections were always low in cost, and overestimated savings. He thought the bill did not go into great detail as to definitions of what was considered chronic.

[1:17:11 PM](#)

Senator Dunleavy wondered if Mr. Morgan would support the bill if there was no amendments.

Mr. Morgan answered in the negative, and considered the current bill to be a "blank check." He thought interest groups could influence the outcome. He thought general parameters as to how the configuration would be set up and managed would be important. He discussed existing studies that could inform the state about managed care techniques to incorporate into the bill. He thought the bill would shift tens of millions of dollars, and thought there should be cost containment.

Senator Dunleavy asked what Mr. Morgan foresaw happening to healthcare in Alaska if the bill was not passed.

Mr. Morgan thought the situation could be turned to an advantage by directing the Department of Health and Social Services to follow the processes that were in the CAMA program in order to improve quality by managing care. He thought the processes would also control cost and make the funds go farther. He discussed federal funding and a court ruling regarding subsidies.

[1:21:02 PM](#)

Co-Chair MacKinnon asked about Mr. Morgan's reference to CAMA.

Mr. Morgan discussed the CAMA program, which formerly had income restrictions and served those that had pre-existing conditions or that did not qualify for Medicaid. He recalled that the average total cost of the program was between \$12 million and \$15 million. He thought that it would be more costly to do an insurance pool, and was concerned about program growth once there was access to the general fund (GF). He added that CAMA defined "chronic," which was important, and controlled costs. He opined that the CAMA program encouraged quality.

Co-Chair MacKinnon asked about the Nuka program at the Southcentral Foundation.

Mr. Morgan conveyed that he had done some financial work on the Nuka program. The program managed chronic acute patients, and it had lowered the cost per member, per month. The program had certified Medicare dieticians to work with acute diabetes. The program managed pharmacology and emergency room visits. He suggested that the state utilize a solution in Alaska that was working.

[1:24:27 PM](#)

Co-Chair MacKinnon relayed that the Division of Insurance had expressed it did not manage healthcare. Rather, it paid providers to do so, and it was processing claims. She referred to managed care as she had discussed it in a meeting earlier in the day. She considered her thoughts to be aligned with those of Mr. Morgan. She referred to insurance companies leaving the state. She wondered if Mr. Morgan had a quick comment on the matter.

Mr. Morgan estimated that there was possibly 200 to 300 individuals for whom there would be a waiver. The state was asking to develop a pool with the insurance program, which the state would pay for. He did not know why the state could not set certain parameters to manage the care. He thought if the state was processing payments it would be in control of where the payments went and what was being purchased. He clarified that the configuration was not an insurance program, but rather a state-funded pool. He suggested that the state could get Mutual of Omaha or the Kaiser Foundation to take up the program and manage it, or even perhaps the Nuka program. He emphasized the importance of getting the most quality for the state's dollars.

Co-Chair MacKinnon clarified that the number of people were being considered was 495. She asked if Mr. Morgan had read the most recent version of the bill.

Mr. Morgan answered in the negative.

Co-Chair MacKinnon explained that version "P" of the bill came from the House. She thought Mr. Morgan was indicating that the state should include managed care in the portion of the bill that applied a waiver for state innovation.

Mr. Morgan replied in the affirmative.

Co-Chair MacKinnon hoped that Mr. Morgan would contact her office with his notes and ideas as quickly as possible. She communicated that the committee would be considering amendments to the bill the following day.

Mr. Morgan thanked the committee.

[1:29:58 PM](#)

NANCY MERRIMAN, EXECUTIVE DIRECTOR, ALASKA PRIMARY CARE ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of the legislation. She relayed that the Alaska Primary Care Association (APCA) supported community health centers throughout Alaska and served as one of the state's two navigator organizations that performed outreach and enrollment for Alaska's federally facilitated healthcare marketplace. Since the previous year, APCA and partners in the state had reported an increase in patients of all income levels choosing to forego insurance due to price. She pointed out that unaffordable insurance resulted in an individual market that became full of sicker people that needed insurance. Additionally, it resulted in increased utilization of emergency services, poorer health outcomes, and personal financial instability.

Ms. Merriman continued to discuss the bill. She supported the legislation because it would ease the existing Alaska Comprehensive Health Insurance Association (ACHIA) mechanism to reinsure the most expensive claims by individual policy holders. She thought the bill would lessen the rate of annual policy inflation and stabilize the individual health insurance marketplace. She supported the section of the bill that authorized the state to begin the process for applying for a 1332 waiver. She thought the individual insurance market needed reinsurance to stabilize costs as well as to instill confidence in potential new insurers. She believed the cost of not passing the bill could be the collapse of the individual insurance market, and the shifting of individual costs of over \$120 million to plan holders in the bigger, small, and large group market. She looked forward to working on the matter with other groups in the future.

[1:33:10 PM](#)

SHEELA TALLMAN, PREMERA BLUE CROSS BLUE SHIELD OF ALASKA, JUNEAU, testified in support of the bill. She read from her written testimony (copy on file):

- The individual health insurance market is in crisis
- I'd like to start by briefly describing what got us here-- With health reform, in 2014, the major change to the insurance market was guaranteed issue to all individuals without preexisting condition exclusions. This provided access to insurance for several thousands of individuals

And, Premera and insurers priced products estimating the impact of the uninsured purchasing coverage for the first time

We experienced a significant influx of new enrollees with very high medical costs, many leaving the high risk pool (which has shrunk by half) and the federal preexisting condition pool and Premera lost approximately \$13 million in the individual market

- For 2015 and 2016, Premera had approximately 37% and 39% average rate increases for the individual metallic plans, but claims continue to exceed premiums.

To break even in 2015, Premera would have needed a 70% increase

- To say it differently, Premera is taking in on average \$713 in premium PMPM and paying claims at \$919 PMPM, demonstrating the very high claims costs in the individual pool

- In a very small sized market like Alaska, there are not enough healthy individual purchasers to offset the costs of enrollees with very high medical needs

- Today-- Alaska's average benchmark plan premium is the highest in the country (over \$700 per month; next highest state is \$468)

While states are experiencing similar increases, impacts in Alaska are more than double

While subsidies help many, Premera has over 1,200 individuals who do not qualify for them

- We are very concerned that premiums will continue to skyrocket due to the small size of the individual pool
With fewer people to spread risk across, a small number of individuals with high cost conditions is destabilizing the pool and impacting costs dramatically

- One solution - is an approach other insurers already took- to exit the individual market
- Alternatively, Premera has been working collaboratively with the DOI to come up with a sustainable option for Alaskans-which is the reinsurance program administered by the state's high risk pool, ACIDA
- The reinsurance program would cover/reinsure the claims for the highest cost medical conditions (long term, chronic conditions- heart failure, kidney disease)
- A reinsurance program would help mitigate the premium increases for individual policyholders, but also stabilize the market which can potentially attract new competitors
 - It also provides more financial certainty to customers about their health insurance
- Premera also supports the state innovation waiver
 - Premera supports flexibility at the state level to help Alaskans maintain the coverage they've had and to tailor reforms to meet the unique needs of the AK market.
 - A waiver would allow the state to explore long term ideas to help address the high cost of healthcare in this state
- What Alaskans need is immediate relief from these year over year premium increases
- HB 374 will help mitigate these swings and on behalf of the 23k individual policyholders, we ask for your support

[1:38:34 PM](#)

Co-Chair MacKinnon recognized Senator Mia Costello and Senator Cathy Giessel in the gallery.

JENNIFER MEYHOFF, CO-CHAIR, LEGISLATIVE COMMITTEE, ALASKA ASSOCIATION OF HEALTH UNDERWRITERS, ANCHORAGE (via teleconference), spoke in support of the legislation. She explained that the Association of Health Underwriters (AHU) represented over 100 licensed health insurance brokers, agents, consultants, and benefits specialists in Alaska. She noted that AHU members consulted with individuals as well as small and large Alaskan employers on how to purchase, administer, and utilize individual or group health insurance coverage. She discussed the portion of the bill that amended ACHIA. She noted that much focus had been

given to the ACA, which was supposed to help deal with the high-risk population. She thought the ACA had not worked in Alaska, and if the bill passed, the state could utilize ACHIA. She expressed understanding of the challenging fiscal climate, but thought that the situation could be much worse if the individual insurance market was not stabilized.

Co-Chair MacKinnon stressed that the state did not have the money to fund the bill. She asked Ms. Meyhoff if AHU had a plan that had more participants than just the state.

Ms. Meyhoff replied that AHU had looked at the situation in different ways, and one proposal had included additional taxation per member per month as a solution for gathering more funds. She stated that AHU was looking at ways to cut costs for medical care, which she thought was not addressed through ACA.

Co-Chair MacKinnon hoped Ms. Meyhoff understood the position the legislature was in, having to draw from state savings.

Ms. Meyhoff indicated understanding.

[1:43:26 PM](#)

JENNIFER JOLLIFFE, SELF, ANCHORAGE (via teleconference), spoke in support of the bill. She owned a small acupuncture practice in Anchorage, and purchased her health insurance on the insurance marketplace. She did not qualify for a tax subsidy. She noted that she had sent the committee members a letter earlier in April. She commented that she could barely afford insurance, and with an anticipated 30 percent to 40 percent rate increase, paying for insurance would no longer be an option. She calculated that with the potential increase, her insurance premium and deductible would equate to 35 percent of her pay. She expressed gratitude for health insurance. She discussed patients in her practice who experienced sudden health conditions. She pondered what could happen to people who did not have insurance.

Co-Chair MacKinnon CLOSED public testimony.

[1:47:28 PM](#)

AT EASE

1:48:21 PM

RECONVENED

Vice-Chair Micciche addressed the fiscal note attached to the bill from the Department of Commerce, Community and Economic Development (OMB component 354). He explained that the note included a one-time expense of \$55 million, appropriated under grants and benefits. The note had indeterminate fiscal impact from FY 18 through FY 22. He read an excerpt from the analysis on the second page:

HB 374 amends AS 21.55.430, the Alaska Comprehensive Health Insurance Association (ACHIA), to allow legislative appropriation of insurance premium tax receipts collected by the Division of Insurance to fund the reinsurance program created in HB374.

Co-Chair MacKinnon commented that while there was no net change to revenue generated from the premium taxes, the taxes would be diverted from the GF into the insurance fund (ACHIA) as proposed in the bill.

Vice-Chair Micciche agreed.

FRED PARADY, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, echoed the comments of Co-Chair MacKinnon. He agreed that while there no net change to revenue, there was effectively a diversion of GF for the purpose. He continued that the insurance premium tax had been a source of significant revenue to the GF heretofore.

1:50:23 PM

LORI WING-HEIER, DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, stated that the bill asked that the legislature make an appropriation each year as it saw fit. She noted that the House Labor and Commerce Committee had added the specified amount of \$55 million to the bill, and the change had carried forward to the current version of the bill and was now on the fiscal note. She relayed that the department's analysis (based on the actuarial analysis in the member's materials) showed that the \$55 million would have between a 15 percent and 18 percent stabilization on the premium rates. This signified that the department did not expect that rates would decrease in the current year. If Premera

were to file for a 40 percent rate increase, it would effectively be a 25 percent rate increase because of the reinsurance program. She continued that the amount to be appropriated to the reinsurance program in further years (if any) would be determined by the legislature.

Senator Hoffman asked if the dollar amount on the fiscal note had been included in state budget totals during Conference Committee.

Co-Chair MacKinnon noted that the number had been present on the fiscal note earlier.

Senator Bishop clarified that the workers compensation division still had an annual assessment.

Mr. Parady answered in the affirmative.

Co-Chair MacKinnon clarified that in Conference Committee, the bill had been attached to the fiscal notes. If the bill did not pass, it would not be included, so the numbers discussed by Co-Chair Kelly did not reflect the \$55 million because it was a fiscal note addition that was dependent upon the passage of the bill. The number had not been included in the total the Senate had released for GF spending.

Ms. Wing-Heier understood that the fiscal note was appendant to the budget, and had been passed as such.

Co-Chair MacKinnon recalled an assertion from the administration (in a meeting of the House Finance Committee) that there would be a \$200 million problem if the bill were not to pass. She asked Ms. Wing-Heier to speak to the issue, including how the department felt about federal takeover of healthcare and the expansion to cover a guaranteed coverage rate.

Ms. Wing-Heier referred to an earlier conversation, in which she provided a quick analysis of what the cost would be if the state had to set up an insurance company as a stand-alone corporation. She recounted that the department had considered its understanding of claims in the individual market, an estimate of the surplus (a set ratio to expected claims to demonstrate ability to pay), and the operating costs to establish a corporation staff. The department estimated that the initial start-up costs would

be roughly \$200 million. Additionally, the state would be required (as any other insurer would) to maintain the surplus capital at the statutorily required ratio.

[1:55:53 PM](#)

Senator Dunleavy asked if Ms. Wing-Heirer had any comments on the earlier testimony by Mr. Morgan.

Ms. Wing-Heier relayed that she had made note of what Mr. Morgan had said about CAMI. She expressed concern about the income limits and diagnoses. She noted that a founding principal of the ACA was guaranteed issue. She did not think the state could only look at insuring people with chronic conditions. She noted that all illnesses were under the ACA. She understood and respected the comments by Mr. Morgan, but did not know how the state could restrict things to the degree he was suggesting and still have guaranteed issue.

Senator Dunleavy surmised that the goal for the bill was that others would come into the insurance pool and reduce the cost. He thought some of the conditions that caused the existing situation seemed to be destined to resurface. He wondered if Ms. Wing-Heier could prognosticate if the bill would entice others to join the pool to lower costs, or if the program would inherently keep costing the state greater amounts of money.

Ms. Wing-Heier thought most people recognized that the ACA was in its infancy as a program, and was not perfect. She opined that there had to be amendments made at the federal level, and some leeway given to states to make it affordable. She considered the bill to be a short-term solution to get the state through the next year or so, so that the state could address the situation and find the mechanisms to support itself in the individual market without having to make a draw from the GF.

[1:59:31 PM](#)

Senator Dunleavy thought that if the bill were to pass, the legislature needed to consider amendments that would compel the restructuring to happen. He thought it was easier to ask for more funding than to work to change the structure. He was concerned about the future of the ACA.

Co-Chair MacKinnon did not think the ACA was affordable, and thought the matter was complex. She commented that the committee had not been collaborated with to address ideas for solutions, and was now boxed in to a solution that included a \$55 million fiscal note. She understood from the testimony of Mr. Morgan that the legislature should examine language under the waiver program that required some kind of managed care effort to control costs. She looked forward to reading Mr. Morgan's written comments before the meeting the following day. She wondered if the committee had ample time to consider the information.

Co-Chair MacKinnon understood Ms. Wing-Heier's estimate of \$200 million for the state to set up an insurance company. She thought another choice for the state (if the bill was not passed) would put at risk the single carrier that was supporting the individual exchange market. She wondered if she had accurately stated the concern of the administration.

Mr. Parady answered in the affirmative. He thought the issue was that Alaska had seen the withdrawal of three of the four of its insurance carriers (with Moda Health's departure on May 2, 2016). Starting in January, 2017; the state would have only one carrier and 23,000 people in the individual marketplace. He considered the issue to be how best to triage within the coming 12 to 15 months. He thought Medicaid reform, the healthcare authority and proposed innovation waiver proposed in the bill, as well as ongoing pressure on cost control were necessary tools to find a path forward.

Senator Olson asked about waivers that would be considered and approved in 2017. He understood some states would be considered for waivers, and wondered why the state of Massachusetts was included in the group with demographics similar to Alaska (with small population and wide areas).

Ms. Wing-Heier opined that Massachusetts applied for the waiver to remove federal oversight, in order to have more state control.

[2:04:32 PM](#)

AT EASE

[2:04:59 PM](#)

RECONVENED

Co-Chair MacKinnon REOPENED public testimony.

GINA BOSNAKIS, OWNER, GINA BOSNAKIS AND ASSOCIATES, JUNEAU, testified in support of the bill. She relayed that she was a lifelong Alaskan, a small business owner, and a past president of the Alaska Association of Health Underwriters. Her firm was based in Anchorage, and her clients were individuals and families, private businesses in Anchorage, and school districts throughout the state. She recounted seeing many people struggle with insurance in the previous few years. She observed that due to requirements of the ACA, many small businesses had elected to drop their group coverage for their employees and their family members; and steered them to the individual market. She conveyed that the results were that the workers paid a great deal more than anticipated, and noted that most of the people she was describing were low-wage earners. The individuals had hoped to receive subsidies or be eligible for Medicare, which generally was not happening. Consequently, people were faced with paying much more for a plan that covered much less.

Ms. Bosnakis observed individuals who were in good health and who had been paying for catastrophic insurance no longer had the plans available to them. Such individuals were not able to find plans to meet their needs in the marketplace. She discussed high claimants and low claimants in the same insurance pool, resulting in a 30 percent to 40 percent increase each year. She discussed Alaskans who needed serious and ongoing medical attention, but could only afford insurance that had a very high deductible. Such individuals were faced with getting penalized for not having insurance, or paying an enormous amount for a policy that they could not use after paying so much for a premium and not being able to reach the deductible.

Ms. Bosnakis discussed the ACHIA plan, which she thought was efficient and worked well for years. She believed that allowing the functionality of an ACHIA-type program for the most ill members of the state would create a healthier insurance market for everyone. She recognized that there were many issues to consider, but thought the bill was a good first step.

[2:09:00 PM](#)

Co-Chair MacKinnon echoed her earlier comments about the challenge to the state's finances. She reiterated that anything put toward the insurance program came directly from state savings. She wondered how to fund the problem to support another industry that was being affected by actions that were not of the state's doing.

Ms. Bosnakis understood the fiscal challenges faced by the state, and hoped that the committee would consider her comments. She was afraid the problem would be worse if it was not addressed by the bill.

Co-Chair MacKinnon RECLOSED public testimony.

Vice-Chair Micciche stated he would likely support the bill as a one-year stopgap, and support working toward other solutions. He discussed the time the legislature had put into Medicaid reform, and thought heavily amending the bill would complicate the process dramatically. He thought if there was an amendment that could be executed easily, while still reaching the objectives of the bill in the waiver and the stop-gap funding, he would be in support. He thought anything more complicated would put the bill at risk and create other challenges.

Senator Olson echoed the comments of Vice-Chair Micciche. He discussed his constituency and the cost of healthcare in his district. He wanted to see some relief given to the insurance market, so that individuals would have some protection. He was in favor of the bill in its current form.

Co-Chair MacKinnon discussed the schedule for the following day.

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

#

ADJOURNMENT

2:13:49 PM

The meeting was adjourned at 2:13 p.m.