



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

DEPARTMENT OF COMMERCE, COMMUNITY, AND
ECONOMIC DEVELOPMENT

**NATIONAL ORGANIZATION OF
STATE OFFICES OF RURAL HEALTH**

Director - Division of Insurance

Lori Wing-Heier

May 16, 2018



The Passage of Alaska's HB 374

The 29th Legislature passed HB 374 in June of 2016. This bill:

- Created the **Alaska Reinsurance Program (ARP)** within the Alaska Comprehensive Health Insurance Association (ACHIA)
- Created the Alaska Comprehensive Health Insurance (ACHI) fund
- Directed insurance premium tax be deposited in the fund
- \$55 million was appropriated from the Alaska comprehensive health insurance fund for Fiscal Year 2017
- The fund is set to sunset on June 30, 2018 which will be repealed during the next legislative session
- Authorized the Division of Insurance to apply for a **Section 1332 State Innovation Waiver** under the Affordable Care Act



Alaska 1332 Waiver Concept

- The ARP mitigates rate increases in the Alaska individual health insurance market and as a result reduces the amount of Advanced Premium Tax Credits (APTC) the federal government is obligated to fund lower/moderate income individuals as a premium subsidy.
- The state appropriated \$55 million in FY16 to fund the first year of the reinsurance program, and \$55 million in FY17 for the state share of the reinsurance program over the 5-Year period of the waiver (2018-2022).
- By removing claims for consumers with high cost conditions from the risk pool, the benefits of the Alaska Reinsurance Program (ARP) are shared by the entire individual health insurance market regardless of income, age, race and ethnic group, or any other demographic characteristic.
- Alaska did not waive any aspect of the ACA that would reduce access to meaningful, affordable insurance for any resident.
- Alaska waived the single risk pool, and requested pass-through APTC to partially fund the ARP.



Five Year Funding Projection

Calendar Year	Projected Alaska Reinsurance Fund⁽¹⁾	Final Savings Federal Pass-Through Funds⁽²⁾	Estimated State Funding
2018	\$59,983,000	\$48,973,684	\$11,009,316
2019	\$64,126,326	\$52,260,335	\$11,865,991
2020	\$68,950,229	\$56,108,411	\$12,841,818
2021	\$74,137,010	\$61,486,732	\$12,650,278
2022	\$79,789,956	\$65,612,014	\$14,177,942

⁽¹⁾ Oliver Wyman Actuarial Analysis

⁽²⁾ ISER Economic Analysis



Alaska's Timeline

June 2016

- Legislature passes HB374 providing statutory authority for Section 1332 Innovation Waiver

December 2016

- Alaska submits complete waiver application to CMS on December 29, 2016

January 2017

- Alaska receives letter from DHSS preliminary determination that application is complete on January 17, 2017



Timeline continued.....

July 2017

- CMS approves Alaska's 1332 waiver application in early July.

December 2017

- Division submits the first status report to CMS; analysis of the anticipated 2018 market.

February 6, 2018

- Division is notified of pass-through funding - \$58,484,978



Oliver Wyman Actuarial Report

APTCs and Individual Market Enrollment by Scenario and Year

Year	APTCs			Individual Market Enrollment		
	Baseline	Waiver	Difference	Baseline	Waiver	Difference
2015	94,468,271	94,468,271	-	28,159	28,159	-
2016	135,348,085	135,348,085	-	24,064	24,064	-
2017	185,716,278	185,716,278	-	23,822	23,822	-
2018	233,898,461	182,260,689	(51,637,772)	21,253	22,894	1,641
2019	258,351,449	202,372,542	(55,978,906)	21,993	23,558	1,565
2020	279,343,570	219,162,267	(60,181,304)	21,773	23,548	1,775
2021	312,617,789	247,210,983	(65,406,805)	22,176	23,410	1,234
2022	342,289,634	272,477,673	(69,811,961)	22,656	23,866	1,210
2023	380,127,501	303,407,137	(76,720,364)	23,539	24,721	1,182
2024	412,662,662	329,994,712	(82,667,950)	23,713	24,940	1,227
2025	449,544,666	359,539,993	(90,004,673)	24,196	24,937	741
2026	488,186,123	390,635,284	(97,550,838)	24,520	25,263	742

While our modeling suggests greater actions will be needed to increase the affordability of coverage, the reinsurance program will help bring some much needed stability to the individual health insurance market in Alaska.



Five Year Funding Expectation per CMS

Appendix A: Pass-Through Calculation Estimates for Alaska 1332 Waiver Application

The estimated pass-through amount is the PTC savings, less the reduction in individual shared responsibility payments (ISRP), plus the increase in Patient Centered Outcome Fee (PCORI), and less the reduction in Exchange fees.

	PTC	ISRP	PCORI	Exchange fee	Total (Estimate)
2018	50,499,719	-668,616	3,017	-1,471,833	48,362,287
2019	63,868,922	-684,360	727	-1,648,291	61,536,998
2020	68,211,504	-804,545	0	-1,690,708	65,716,251
2021	73,682,934	-599,819	0	-1,905,348	71,177,767
2022	78,545,053	-646,471	0	-2,039,651	75,858,931
Total	334,808,132	-3,403,811	3,744	-8,755,831	322,652,234

⁽¹⁾ Letter to Governor Bill Walker from CMS Administrator Seema Verma with approval of waiver July 2017



What did it cost?

Actuarial Report

- 3 staff at Oliver Wyman; Tammy Tomczyk, Peter Kaczmarek, Ryan Mueller
- Total cost \$136,226

Economic Impact Study

- 2 staff at ISER; Ralph Townsend, Andrew Bibler
- Total cost \$16,844

Staff Time

- Division of Insurance drafted initial application, provided data to consultants and participated in numerous discussions/meetings with all stakeholders including CMS and the Dept. of Treasury
- Department of Law attorneys reviewed final application and provided advice on the draft award (contract)
- Division staff coordinated public outreach, including contacting Alaska Native Tribes to fulfill tribal outreach, and scheduling of public hearings



Alaska's Outreach-Post Award

- The division has worked with numerous states, including Colorado, Illinois, Iowa, Maine, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Texas, Washington and Wisconsin providing insight and recommendations in setting up reinsurance programs by sharing our process and experience
- Minnesota and Oregon have structured their 1332 waivers loosely on Alaska's program. Both have been approved by CMS.



CMS Award Letter – February 2018

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



February 6, 2018

VIA ELECTRONIC MAIL: lori.wing-heier@alaska.gov
Lori K. Wing-Heier
Director
Alaska Division of Insurance
550 West 7th Avenue, Suite 1560
Anchorage, AK 99501-2567

Dear Ms. Wing-Heier:

On July 17, 2017, the Department of Health and Human Services (HHS) and the Department of the Treasury (collectively, the Departments) approved Alaska's section 1332 waiver application. Alaska's application sought waiver of the PPACA requirement for the single risk pool in order to implement the Alaska Reinsurance Program (ARP) for 2018 and future years. The Departments granted Alaska's application to waive the single risk pool requirement in the individual market under section 1312(c)(1) of the Patient Protection and Affordable Care Act (PPACA), to the extent it would otherwise require excluding total expected State reinsurance payments when establishing the market-wide index rate for the purposes described in the State's application.

In the letter, the Departments explained that the amount of pass-through funding for calendar years 2018 through 2022 will be calculated by the Departments annually (per PPACA section 1332(a)(3)) and reported to the State. The pass-through funding for calendar year 2018 is estimated to be \$58,484,978. This amount will be subject to a final administrative determination by the Department of the Treasury prior to payment.

If you have any questions regarding program matters or official correspondence concerning the waiver please contact Rachel Arguello at Rachel.Arguello@cms.hhs.gov or stateinnovationwaivers@cms.hhs.gov.

Sincerely,

Randy Pate
Director, Center for Consumer Information and Insurance Oversight
Deputy Administrator, Centers for Medicare & Medicaid Services

Cc: David Kautter, Assistant Secretary for Tax Policy, U.S. Department of the Treasury
The Honorable Bill Walker, Governor of Alaska



CMS Funding Letter – April 2018

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



April 24, 2018

VIA ELECTRONIC MAIL: Lori.Wing-Heier@Alaska.gov

Lori K. Wing-Heier
Director
Alaska Division of Insurance
550 West 7th Avenue, Suite 1560
Anchorage, AK 99501-2567

Dear Director ^{Lori}Wing-Heier:

On July 7, 2017, the Department of Health and Human Services and the Department of the Treasury (the Departments) approved Alaska's section 1332 waiver. Alaska's application sought to waive the requirement under section 1312(c)(1) to consider all enrollees in a market to be part of a single risk pool, to the extent it would otherwise require excluding total expected state reinsurance payments when establishing the market-wide index rate in order to implement the Alaska Reinsurance Program (ARP) for 2018 and future years. It is the Department of the Treasury's final administrative determination that Alaska's pass-through funding amount is \$58,484,978 for calendar year 2018.

If you have any questions regarding program matters or official correspondence concerning the waiver, please contact Robert Yates at Robert.Yates@cms.hhs.gov, Lina Rashid at Lina.Rashid@cms.hhs.gov or stateinnovationwaivers@cms.hhs.gov.

Sincerely,

Randy Pate
Director, Center for Consumer Information and Insurance Oversight
Deputy Administrator, Centers for Medicare & Medicaid Services

Cc: David Kautter, Assistant Secretary for Tax Policy, U.S. Department of the Treasury
The Honorable Bill Walker, Governor of Alaska
The Honorable Mike Navarre, Commissioner, Alaska Department of Commerce,
Community, and Economic Development



Resources

Alaska Waiver Application can be located online:

[https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section 1332 State Innovation Waivers-.html](https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section%201332%20State%20Innovation%20Waivers-.html)



Conclusion

Thank you.

Lori Wing-Heier

Director, Division of Insurance

Lori.Wing-Heier@alaska.gov

(907)-465-2515 (Juneau)

907-269-7900 (Anchorage)