

Alaska: State Innovation Waiver - Extension

July 12, 2022

The U.S. Department of Health & Human Services and the U.S. Department of the Treasury (collectively, the Departments) approved Alaska's application for an extension of its State Innovation Waiver under the Affordable Care Act (ACA) (referred to as a "section 1332 waiver") for an additional five years from Plan Years (PY) 2023 through 2027. Alaska's section 1332 waiver extension application sought to continue implementation of Alaska's state-based reinsurance program, which lowers individual market premiums and results in more consumers in the state being covered.

Actuarial analysis performed on behalf of Alaska and submitted as part of its initial section 1332 waiver application estimated that statewide average premiums would be 20% lower from 2018 to 2022 than they would have been absent the waiver. The reinsurance program has surpassed that goal by achieving a 38.5% statewide average premium reduction in each year of the waiver. As a result of Alaska's innovative waiver, the state will continue to receive, as pass-through funding, the Premium Tax Credit (PTC) savings, net of any federal costs attributable to the waiver, realized by the federal government due to lower premiums for individual health insurance coverage. This pass-through funding will cover a substantial portion of state costs for the reinsurance program. Overall, the program will result in lower consumer costs.

The Departments have determined that Alaska's section 1332 waiver plan meets the requirements outlined in section 1332(b)(1) of the ACA. Specifically, the section 1332 waiver is projected:

- to provide coverage at least as comprehensive as coverage provided without the waiver;
- to provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as would be provided without the waiver;
- to provide coverage to at least a comparable number of people as would be provided without the waiver; and
- to not increase the federal deficit.

The extension of Alaska's State Innovation Waiver under section 1332 of the ACA is approved subject to Alaska accepting specific terms and conditions (STCs). This waiver extension approval is effective for January 1, 2023 through December 31, 2027.

Summary of Alaska's Application for an Extension of its State Innovation Waiver under Section 1332 of the ACA

Alaska's application for an extension of its State Innovation Waiver under section 1332 of the ACA seeks to waive section 1312(c)(1) of the ACA—the requirement to consider all enrollees in a market to be part of a single risk pool, to the extent that it would otherwise require excluding total expected state reinsurance payments when establishing the market-wide index rate, in order to implement the state reinsurance program for PYs 2023 through 2027. The state's reinsurance program will continue to operate as a conditions-based reinsurance program by

reimbursing qualifying individual market health insurers for all medical and prescription drug claims for the entire year that are associated with enrollees identified as having one or more of 34 high-cost conditions specified as eligible for payment and identified in regulation.¹

As a result of the Departments' approval of Alaska's section 1332 waiver extension application, individual market consumers are expected to continue seeing lower premiums, which should attract new consumers while also retaining current consumers in the individual market. Alaska projects that, under an extension of its section 1332 waiver, statewide average premiums will be about 38.5% lower in PY 2023 than they would be without the waiver. In addition, Alaska predicts that individual market enrollment will be about 9.6% higher in PY 2023 than it would be without the waiver, due to lower premiums resulting from stabilization of the individual market. These projections were certified by independent actuaries and reviewed by the Departments.

Because the Alaska Reinsurance Program is expected to lower premiums on the second-lowest cost silver plan, the plan used to establish the value of the PTC, the federal government anticipates that it will spend less on PTC under the waiver than it would absent the waiver. As such, Alaska will receive pass-through funding to support the reinsurance program based on the amount of PTC that would have been provided to Alaskans absent the waiver but will not be provided under the waiver. This amount will be reduced, if necessary, to ensure deficit neutrality. The state estimates that the extended waiver will produce net federal savings of \$74.1 million in 2023 and \$429.7 million over the five-year waiver period. This pass-through funding will cover a substantial portion of state costs for the reinsurance program.

Section 1332: State Innovation Waivers

Section 1332 of the ACA permits a state to apply for a State Innovation Waiver to pursue innovative strategies for providing residents with access to high-quality, affordable health insurance. These waivers provide states with the opportunity to develop strategies that best suit their individual needs. Through innovative thinking tailored to specific state circumstances, states can lower premiums for consumers, improve market stability, and increase consumer choice.

In order for a section 1332 waiver to be approved, the Departments must determine that the waiver meets statutory guardrails to provide coverage that is at least as comprehensive as the coverage provided without the waiver; provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as without the waiver; provide coverage to at least a comparable number of residents as without the waiver; and not increase the federal deficit.

State Innovation Waivers have been available since January 1, 2017; are approved for up to five-year periods; and can be extended. The Departments welcome the opportunity to work with states on section 1332 waivers. States interested in applying for a section 1332 waiver can

¹ <http://www.akleg.gov/basis/aac.asp#3.31.540>

find application tools and resources, including an application checklist and application templates, on the CMS website [here](#).

The section 1332 waiver extension approval letter and STCs for Alaska can be found here: https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-