

1332 State Innovation Waiver – Public Forum

June 23, 2025, 11:00 am – 12:00 pm

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Good morning.

I am Jake Lauten with the Alaska Division of Insurance, and I'm calling this forum to order to provide interested parties with the opportunity to learn about and comment on the contents of the State of Alaska Section 1332 Waiver.

The time is 11:00 AM and this forum is being held here on June 23rd, 2025, in the State Office Building, 9th floor Conference Room C in Juneau, Alaska at 333 Willoughby Ave and the Atwood Building Suite 1560, located at 550 W 7th Ave in Anchorage, AK, as well as virtually here on Microsoft Teams.

The forum is scheduled to close at 12:00 PM and may be extended to accommodate those present before 12:00 PM.

This forum is being recorded. Again, my name is Jake Lauten with the Alaska Division of Insurance. My title is Program Coordinator.

Here in Juneau, we have Heather Carpenter, the Deputy Director. Online, we have Molly Nollette, who is the Chief Market Regulator, We have Sarah Bailey, the Supervisor for Life and Health, and we have Lieann Amante, Regulation Specialist in Anchorage.

Let me change the setting here and see who else has joined. We have Jeanne Murray; an Insurance Specialist with the Division.

I have the presentation here, and we'll get started.

Our agenda will cover a summary of the 1332, describe the history of the justification for the waiver, and how its status is, and what it looks like going forward.

The 1332 waiver is part of the Affordable Care Act that was legislated in March of 2010. It allows states to apply for specific adjustments to the law where there are certain criteria that must be met, and it allows states to have that flexibility to adjust to their issues. With Alaska, we have high healthcare costs and so trying to make a market more affordable for individuals is a key protection that the Division strives for.

In the Affordable Care Act, there are certain titles and subtitles within the law itself that allows states to make changes.

One of the four sections covers the benefits and subsidies. Section 36B is actually the tax credit portion.

There's also the individual mandate, which is covered under the Internal Revenue Code section 5000A. We have 4980 which is the employer mandate.

Part I of subtitle D for the Affordable Care Act covers qualified health plans and essential health benefits.

Section 1402 is a topic that has been discussed a lot in 2017 and currently. It's the cost sharing reductions and that's a section that can be revised or be waived through a 1332 waiver.

The guardrails:

There are four requirements in order for a waiver to be approved, the coverage has to be comprehensive, which means that the benefits have to be as comprehensive as they are now, without the waiver. That's a protection for consumers to make sure that they're not getting substandard coverage.

Another component is the cost sharing and the premiums that are offered with the waiver compared to without the waiver. That covers the out-of-pocket spending such as the deductibles and the out-of-pocket maximums. You can't just have a \$25,000 deductible offered because then it wouldn't be affordable for consumers.

The third guard rail is regarding the scope, which is the number of people that are covered or enrolled. You need to make sure that the projections are at least the same number of people with the waiver, as without the waiver.

And the final guardrail is to not increase the federal deficit.

The federal government does not want to be spending more money with the waiver than without the waiver.

Back in 2016, we were experiencing significant disruption in the individual market. In May of 2016, one of the individual market insurers advised the Division that they were withdrawing from the market and so looking into 2017, we would have only one insurer.

We looked at what the Division could do to help stabilize the market regarding the high rates. In 2015, we had nearly 40% rate increases as a result of the adjustment to the Affordable Care Act being implemented in 2014.

The Department of Health and Human Services, on behalf of the federal government, implemented the reinsurance program from 2014-2016. They contributed a certain amount of money to the insurers in 2014, 2015 and 2016, and then in 2017, there was no reinsurance offered by the federal government.

Alaska put together a plan through the legislature to implement the 1332 waiver. Currently for 2025, Alaska has the second highest premium among all the states. West Virginia is the highest.

And as you can see, the \$1100 for Alaska is significantly higher than the nationwide average. As I spoke to earlier, in 2016, that's when we were experiencing a lot of concern as far as the affordability and put together the reinsurance program through House Bill 374, which was signed by Governor Walker and that appropriated \$55 million to get the program started in 2017 prior to the implementation of the 1332 waiver.

That bill also gave us the authority to implement the 1332 waiver, which is another requirement by section 1332. We submitted the waiver application in January of 2017. We received preliminary determination that it was complete and then in the summer of the first Trump administration, we received approval. For the 1332 waiver starting in calendar year 2018, lasting five years through calendar year 2022 and then in 2022, we applied for the extension, which goes from January 1, 2023 to December 31, 2027.

In about a year, we'll be looking into the decision of whether or not to apply for an extension because it takes time to work through the process regarding the reports and requirements for extensions.

We were the first state with a 1332 waiver reinsurance program, and we were blazing the path. Our decision at that time was to have a condition-based program.

At the beginning there were 33 conditions. Now we're at 35. One was added due to COVID-19 and then the extra condition, from 34 to 35 is that one of the Hierarchical Condition Categories (HCCs) split into two separate codes. We're at 35 hierarchical condition categories at the current time frame.

For those conditions, anybody who has that condition, the insurers cede all the revenue that they receive: premiums, prescription drug rebates, and high-cost risk pool payments to the Alaska Reinsurance Program.

For that transfer, the insurers receive payments from the reinsurance program for those individuals up to the program amount that is set by the Division, and if the program amount is met, which it has been every year, a proportion of that amount is split based on the overall claims by the insurers. For 2018 and 2019, there was only one insurer. Then going forward 2020 to current it was split proportionally.

Regarding advanced premium tax credits, 87% of Alaskans receive APTC, Advanced Premium Tax Credit. A lot of that is due to the American Rescue Plan and Inflation Reduction Act, which allows enhanced APTCs for those who have a Federal Poverty Level above 400%. Under the original framework with Affordable Care Act, individuals above 400% were not eligible for tax credits. That's due to end at the end of 2025, and that's the enhanced APTCs.

Here's a summary (*referring to the chart on slide 10*) of the program amounts through the years, and the pass-through funding that we received from the federal government to help us, because the pass-through funding represents savings to the federal government as a result of reduced premiums. With the reduced premiums, the advanced premium tax credits are lower; therefore, the federal government was saving money. We're able to utilize that money to help towards the program.

For a number of the years, as you can see, for 2019 through 2023, there was no state contribution needed because the actual pass-through funding was greater than the program amount. Fortunately, we are able to utilize those excess amounts, because now the pass-through funding is less than the program amount.

For 2026, there's a lot going on with the United States Congress. We're analyzing the federal legislation.

The insurers have submitted their rate filings as of last Wednesday, and we're continuing to monitor any changes, and we'll adjust as necessary for the rate review. I think that covers everything there.

Under the 1332 Waiver Regulations, 45 CFR 155.1320(c) requires a public forum, and this is what this forum is for. We're accepting public comment. We require that individuals submit comment by the end of today. We have had this open for more than 30 days to receive public comment, and you can send public comments to my e-mail at jacob.lauten@alaska.gov. You can also provide public comment during the time frame here until 12:00 PM.

Is there anybody who wants to comment now? If you do, please state your name and affiliation please.

Nobody's speaking up. We will go on mute until 12:00 PM. If anybody wishes to comment, please speak up. Thank you.

Nollette, Molly S (CED) 15:36

Thank you, Jake.

Lauten, Jacob R (CED) 45:16

The time is 11:45. We don't have any members of the public in Anchorage or in Juneau, or on Teams virtually, we will stay on mute until 12:00 PM.

Before we finish up here, I wanted to make sure that we highlight the actual provision that the Alaska Division of Insurance has waived as part of the Affordable Care Act.

The provision is Section 1312(c), which is the single risk pool. Our initial application at the beginning of 2017 to HHS had indicated that we were going to waive the Co-Op provision, which was a certain type of insurer, which was consumer driven and led. Through discussion with CMS and HHS, we decided upon Section 1312(c), which is the single risk pool as far as the actual provision that is waived for us to implement the waiver.

The scheduled time frame for this hearing has arrived. It is now 12:00 PM Alaska Daylight savings time. We are now closing this hearing.

I am going to end the recording.

OK, comments will be accepted until 5:00 PM Alaska Time later today.

You can e-mail me at jacob.lauten@alaska.gov. [Jacob.Lauten@alaska.gov](mailto:jacob.lauten@alaska.gov).

We will accept comments through 5:00 PM Alaska Daylight Savings Time, and I am going to end the recording.