


Section 1332 of the Patient Protection and Affordable Care Act (PPACA) State Innovation Waivers - Reinsurance Waiver Annual Report

Reporting Instructions: Please capture data for annual 1332 waiver grant reporting in this template, which has been developed based on paragraph 10 of your specific terms and conditions (STC), and in accordance with 45 CFR 155.1324(b)-(c). For any items that are marked “if applicable,” please refer to the requirements in your STCs to determine whether you need to fill in those data fields. Draft annual reports are due within 90 days of the end of each calendar year that your waiver is in effect.

STATE:

A. GRANTEE INFORMATION		
1. Reporting Period End Date Dec 31, 2019	2. Report Due Date Mar 31, 2020	3. Report Submitted On (Date) Mar 24, 2020
4. Federal Agency and Organization Element to Which Report is Submitted Consumer Information & Insurance Oversight		
5. Federal Grant Number Assigned by Federal Agency SIWIW180004-01-00	6a. DUNS Number 809387467	6b. EIN 92-6001185
7. Recipient Organization Name Alaska Department of Commerce, Community and Economic Development		
Address Line 1 Division of Insurance		
Address Line 2 P.O. Box 110805		
Address Line 3		
City Juneau	State AK	Zip Code 99811
Zip Extension 0805	8. Grant Period Start Date Jan 1, 2018	9. Grant Period End Date Dec 31, 2022
10. Other Attachments (attach other documents as needed or as instructed by the awarding Federal agency)		

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B. REPORT CERTIFICATION	
11. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.	
11a. Typed or printed name and title of Authorized Certifying Official	Anna Latham
11b. Signature of Authorized Certifying Official	
11c. Telephone (area code, number, and extension)	(907) 465-2518
11d. E-mail address	anna.latham@alaska.gov
11e. Date report submitted (month/day/year)	March 24, 2020
C. PROGRESS OF SECTION 1332 WAIVER - <u>General</u>	
12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.	
<p>2019 Federal Pass-through Funding: In fall 2018, the Alaska Division of Insurance (ADOI or the Division) coordinated with Oliver Wyman to provide data and analysis to the federal Centers for Medicare and Medicaid Services (CMS) necessary to calculate the pass-through funding amount associated with Alaska's Section 1332 Waiver for 2019. The federal pass-through funding determination in the amount of \$68,689,234.00 for 2019 was finalized and provided to the Division on April 26, 2019.</p> <p>ACHIA Grant Agreement: ADOI signed its grant agreement with the pass through entity, Alaska Comprehensive Health Insurance Association (ACHIA), on April 12, 2019. Upon finalization of the federal pass-through funding determination and federal grant funding mechanism on April 26, 2019, the ADOI and ACHIA negotiated and prepared an amendment to the 2019 state grant agreement. The amendment incorporated the federal grant regulatory requirements, including notice of federal single audit requirements, and delineated the federal, state and ceded premium funds for the 2019 Alaska Reinsurance Program. However the amendment was not finalized.</p> <p>Payment Requests: The first quarter payment request in the amount of \$9,309,063 was paid July 12, 2019, and the second quarter payment request in the amount of \$ 17,531,528 was paid October 8, 2019. The third quarter payment request in the amount of \$17,545,113 was paid December 2, 2019. The fourth quarter payment request in the amount of \$19,551,500 was paid March 5, 2020.</p>	

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2020 Federal Pass-through Funding: On August 28, 2019, ADOI submitted an extension request for the 2020 pass-through funding report under section 14 of the Standard Terms & Conditions for the waiver. This was due to a number of factors: 1) the addition of a second insurer to the market made for a more complicated modeling process (A new company entered the Alaska individual insurance market in 2020, Moda Assurance Company); 2) the Division received feedback from issuers that more time was needed to respond to the data call, as the deadline fell so shortly after the August 20th rate filings deadline; 3) the Division had turnover of actuarial staff around this time. CMS granted the extension on August 29th. The Division contracted with Oliver Wyman to conduct actuarial analysis to determine the calculation. The 2020 pass-through funding report was submitted Sept. 30, 2019. CMS estimated the pass-through funding amount for calendar year 2020 to be \$76,695,421 in a letter submitted to ADOI January 10, 2020.

13. Describe any implementation and/or operational challenges to meet the 1332 statutory guardrails, and plans for and results of associated corrective actions. After the first year, only report on changes and/or updates, as appropriate.

The Alaska Legislative Budget and Audit (LB&A) conducted a statewide single audit for FY19 beginning in February 2019. ADOI staff worked with LB&A to provide all requested documentation. LB&A issued a management letter November 5, 2019 with the finding that the FY19 grant award issued to the 1332 State Innovation Waivers' sole sub-recipient contained an inaccurate grantee name, conflicting award amounts, and was missing the unique sub-recipient number and federal award date. The department agreed with the finding, and committed to develop and implement procedures, ensure adequate grant management training is provided to responsible staff, and ensure there are internal controls in place to ensure that sub-recipient awards contain complete and accurate information in accordance with federal requirements.

ADOI received a management decision report (MDL) from CMS August 8, 2019 for the FY2018 statewide single audit (Audit No. A-10-19-65093). Sufficient evidence was submitted for each of the three findings that the findings were recommended to be closed. CMS issued a Report Clearance Document September 12, 2019.

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D. PROGRESS OF SECTION 1332 WAIVER - State-Specific		
14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)		
	Value	Comments (if applicable)
a. Actual individual market enrollment on the Exchange in the state	17,415	January 2019
Actual individual market enrollment off the Exchange in the state	1,269	January 2019
b. Actual average individual market premium rate on the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$740.03	Average for 2019
Actual average individual market premium rate off the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$679.40	Average for 2019
c. Actual Second Lowest Cost Silver Plan (SLCSP) premium for Exchange plans under the waiver for a representative consumer (e.g., a 21-year old non-smoker) in each rating area	i. Area 1 - \$537 ii. Area 2 - \$564 iii. Area 3 - \$551	
Estimate of the SLCSP premium for Exchange plans as it would have been without the waiver for a representative consumer (e.g., a 21-year old non-smoker) in each rating area	i. Area 1 - \$819 ii. Area 2 - \$860 iii. Area 3 - \$840	
d. For states with State-based Exchanges , actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year	N/A	N/A
e. For states with State-based Exchanges , actual number of APTC recipients for the plan year. This should be reported as number summed over all 12 months and divided by 12 to provide an annualized measure.	N/A	N/A

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15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.

The waiver impacts the cost of health care premiums, but does not impact the components of the EHB benchmark. The EHB benchmark plan is not modified in any way by the 1332 waiver.

16. Describe any changes to the state-operated reinsurance program, including changes to the funding level the program will be operating at for the next plan year, any changes to the approved payment parameters for reinsurance program reimbursement or changes to eligibility criteria for enrollees' claims to be reimbursed under the program.

There have been no changes to eligibility or payment parameters, but will have a change to the funding level. 2020 will be funded at \$69,000,000.

17. Describe any changes in state law that might impact the waiver and the date(s) these change occurred or are expected to occur.

There were no changes to state law relevant to the program during calendar year 2019.

18. Report on spending:

	Value	Comments (if applicable)
a. Amount of Federal pass-through funding spent on individual claim payments to issuers from the reinsurance program	\$63,736,695	
b. Amount of Federal pass-through funding spent on operation of the reinsurance program	\$200,509	
c. Amount of any unspent balance of Federal pass-through funding for the reporting year	\$189,122	
d. Amount of state funding contribution to fully fund the program for the reporting year	0	

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19. If applicable, provide a claims breakout at an aggregate level for the top 5 conditions or cost drivers of the 5 conditions, including settings of care in the individual market.

For a claims breakout for the top 5 conditions, including settings of care, see attachment.

20. If applicable, report on any incentives for providers, enrollees, and plan issuers to continue managing health care cost and utilization for individuals eligible for reinsurance.

Given that the program is capped, there is an inherent incentive for providers and plan issuers to treat enrollees as if they are not in the reinsurance pool in order to stay within the budget.

21. If applicable, report of any reconciliation of reinsurance payments that the state wishes to make for any duplicative reimbursement through the state reinsurance program for the same high cost claims reimbursed through the Department of Health and Human Services (HHS)-operated high cost risk adjustment program.

	Value	Comments (if applicable)
a. Reinsurance payment (before reconciliation) for high-cost claims to issuers who also receive payment through the HHS risk adjustment program under the high-cost risk pool		Alaska had only one insurer for the individual market and so Risk Adjustment was not applicable.
b. Risk adjustment amount paid by HHS for those claims		
c. Reinsurance reconciliation (or true-up) amount applied		

E. POST-AWARD FORUM

22. Was the date, time, and location of the Post-Award Forum advertised 30 days in advance?

Yes

No

23. State website address where Post-Award Forum was advertised

<https://www.commerce.alaska.gov/web/ins/>
Public notice of the post-award forum is attached.

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24. Date Post-Award Forum took place

April 16, 2019

25. Summary of Post-Award Forum, held in accordance with §155.1320(c), including all public comments received and actions taken in response to concerns or comments.

The public forum was held April 16, 2019. Two physical locations were made available, in the Juneau and Anchorage DOI offices. Participants were also able to use teleconference capabilities to attend the forum.

DOI Deputy Director Anna Latham began the forum by presenting information about Alaska's 1332 waiver and the reinsurance program including: the restrictions of the 1332 Waiver program; the purposes of the waiver; the groups covered by the reinsurance program; the process and requirements of applying and receiving the 1332 Waiver; and the amounts allocated to the reinsurance program.

The forum was then opened up for questions and comments. Bryan Fellhopper with Southern Insurance Agency asked if there were additional members of the exchange besides Premera Blue Cross and if Alaska had managed Medicaid. He also asked why the high cost categories were chosen. Anna Latham explained the process for the categories being chosen and that the categories were chosen to slow the increase of the cost of premiums. Bryan Fellhopper asked what the process would be to change the categories, and Anna Latham explained that it would require changing regulations.

Richard Ward with Segal Consulting listened to the presentation and thanked us for providing the information.

Attendees:

DOI staff:

Anna Latham (Juneau)

Sarah Bailey (Juneau)

Jackson Willard (Juneau)

Sian Ng-Ashcraft (Anchorage)

Shauna Nickel (Anchorage)

Alida Bus (Juneau)

Public members:

Richard Ward, Segal Consulting (Telephonic)

Bryan Fellhopper, Southern Insurance Agency (Telephonic)

The Division received written comment from DeAnn Minnillo March 5, 2019 in response to the public notice of the forum. Ms. Minnillo, a licensed insurance agent in the state, expressed concern about the increasing cost of health insurance and its negative impacts on individuals and the economy. Director Wing-Heier sent a written reply March 18, 2019 acknowledging the issue, and explaining that the 1332 waiver has helped to reduce premium costs and provide stability in Alaska's individual health care insurance market since taking effect. Both letters are were included in the first quarter report.

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26. Other Attachments (attach other documents as needed pertaining to Post-Award Form)

A copy of the PowerPoint presentation used during the public forum is attached.

F. STATE INTERNAL IMPLEMENTATION REVIEW - ATTESTATION

27. Attestation: The state attests that periodic implementation reviews related to the implementation of the waiver have been conducted in accordance with 31 CFR 33.120(b) and 45 CFR 155.1320(b).

Yes

No

28. Describe the state's implementation review process.

The Division completed internal risk assessment matrices as well as incorporating language into its grant agreement with pass-through entity ACHIA.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

A collage of three Alaskan scenes: a boat on the water, a wooden boardwalk in a town, and a yellow mining truck.

1332 STATE INNOVATION WAIVER

PUBLIC FORUM

APRIL 16, 2019

Lori Wing-Heier
Division of Insurance



What is a 1332 Waiver?

Patient Protection and Affordable Care Act (“Obamacare”) provided, in *Section 1332*:

“a State may apply to the Secretary for the waiver of all or any requirements described in paragraph (2) with respect to health insurance coverage within that State beginning on or after January 1, 2017.”

This provides flexibility to address state-specific issues and improve the health care insurance market.



What can be waived?

- Benefits and Subsidies
- Marketplace and Qualified Health Plans
- The Individual Mandate
- The Employer Mandate



The “Guardrails”

Each waiver application must satisfy four criteria:

1. Comprehensive Coverage
2. Affordable Coverage
3. Scope of Coverage
4. Federal Deficit

All criteria must be met simultaneously, which is extremely difficult because the factors impact each other.



Alaska's Individual Market

- “Death spiral” for Alaska’s Individual market!
 - 203% premium increase from 2013 to 2017.
 - One insurer left in market by 2016.
 - 2017 Rates projected to increase by 40%.
- We needed an innovative solution to stabilize the individual market.



The Passage of Alaska's HB 374

HB 374 signed into law by Governor Walker in 2016.

- Created the **Alaska Reinsurance Program (ARP)**.
- Appropriated \$55 million of existing premium assessments to get the program started (required no new taxes or fees).
- Authorized **Section 1332 State Innovation Waiver** application under ACA.



Alaska 1332 Waiver Concept

- The Alaska Reinsurance Program reimburses individual market insurers for claims in 33 high risk categories, provided the insurer cedes all associated premium revenues to the ARP.
- By isolating claims known to have high costs from the risk pool, premiums in the individual market would be reduced producing savings for all participants.
- Because most Alaskans (over 90%) in the individual market receive a federal Advance Premium Tax Credit (APTC) subsidy, the federal government saves money as premium costs are reduced.
- Through the 1332 Waiver process, these federal savings must be passed back to the state to maintain market reforms that keep costs low.



Alaska's Timeline

June 2016

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

January 2017

- Alaska submits complete waiver application to CMS on January 3, 2017.

January 2017

- Alaska receives DHHS preliminary determination that application is complete on January 17, 2017.



Timeline continued.....

July 2017

- CMS approves Alaska's 1332 waiver application (Estimated \$322M for 2018-2022)

October 2017

- First status report to CMS; analysis of anticipated waiver impact on 2018 market to determine pass through funding.

January 2018

- Division received final award amount of \$58 million for 2018.



Final Award for 2018



FOR IMMEDIATE RELEASE

No. 18-020

Contact: Austin Baird, Press Secretary – (907) 310-9761
Lori Wing-Heier, Division of Insurance Director – 907-465-2515

Federal government to distribute \$58 million to Alaska Reinsurance Program in 2018

February 9, 2018 ANCHORAGE—Governor Bill Walker is pleased to announce that the Centers for Medicare and Medicaid Services (CMS) has calculated the federal contribution to the Alaska Reinsurance Program for calendar year 2018 will be approximately \$58.5 million.



Timeline continued.....

June 2018

- Senate Bill 165 extended the Alaska Comprehensive Health Insurance Fund (scheduled to sunset June 30, 2018) to June 30, 2024.



CMS Approval Letter-Estimated Award

This slide represents the determination by CMS actuaries and Treasury economists of Alaska's estimated award, and was part of the 1332 approval letter from 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.

Year	PTC	ISRP	PCORI	Exchange Fee	Total (Estimate)
2018	50,449,719	-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



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 Efforts Lauded by CMS

Excerpt from Secretary Tom Price's March 13, 2017 letter to Governors:

“The Department of Health and Human Services and the Department of Treasury (the Departments) are interested in working with states on Section 1332 waivers that would lower premiums for consumers, improve market stability, and increase consumer choice. In particular we welcome the opportunity to work with states to pursue Section 1332 waivers incorporating a high-risk pool/state-operated reinsurance program. State-operated reinsurance programs have a demonstrated ability to help lower premiums, and if the state shows a reduction in federal spending on premium tax credits a state could receive Federal pass-through funding to help fund the state's reinsurance program.”

CMS published a checklist in March of 2017, indicating the priority the Trump administration places on stabilizing the individual market and increasing affordability of health insurance coverage.



Alaska's Leadership

- 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 pursued 1332 waivers following Alaska's reinsurance program. Both have been approved by CMS.



Alaska's Activities under the Waiver

- 2019 pass through funding calculations completed – \$68.7 million awarded.
- Draft 2018 annual report on the Division of Insurance website.



Alaska's Public Forum

- Under the terms and conditions of Alaska's 1332 Waiver, the division must hold a public forum annually to allow for meaningful public comment on the progress of the waiver.
- We encourage anyone attending to provide their input!



Questions?

Lori Wing-Heier
Director, Division of Insurance
insurance@alaska.gov
907-465-2515

**Alaska Reinsurance Program
Top Five Diagnoses 2019
Breakdown by Place of Service**

HCC	HCC Label	Total Paid	Ambulance - Air or Water	Emergency Room - Hospital	End-Stage Renal Disease Treatment Facility	Home	Inpatient Hospital	Office	Other Place of Service (POS 99)	Outpatient Hospital	All other POS
8	Metastatic Cancer	\$18,315,673	\$400,641	\$482,701	\$6,231	\$199,655	\$4,608,350	\$3,672,445	\$2,316,271	\$6,223,161	\$406,218
2	Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock	\$16,361,373	\$798,381	\$722,705	\$2,667,027	\$111,794	\$7,734,017	\$1,345,756	\$843,288	\$1,850,284	\$288,122
75	Coagulation Defects and Other Specified Hematological Disorders	\$15,200,323	\$700,295	\$566,245	\$2,339,102	\$1,269,680	\$5,574,872	\$859,561	\$2,027,081	\$1,622,227	\$241,261
9	Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia	\$11,867,219	\$300,352	\$347,172	\$6,231	\$185,502	\$3,660,994	\$1,938,983	\$1,665,806	\$3,435,503	\$326,676
184	End Stage Renal Disease	\$10,636,122	\$0	\$197,334	\$7,941,338	\$68,605	\$1,719,918	\$136,769	\$182,277	\$345,048	\$44,832

Notes: Includes claims incurred and paid in 2019 as of 12/31/19 with no estimate of IBNR.
 If an enrollee had multiple diagnoses that fell into more than one HCC, all claims are shown with each HCC. Thus, claim amounts may be duplicated.
 Other Place of Service (POS 99) claims were coded with that location, and data includes no additional information.
 All Other POS claims were grouped by us and include Ambulance - Land, Ambulatory Surgical Center, Community Mental Health Center, Comprehensive Inpatient Rehabilitation Facility, Federally Qualified Health Center, Hospice, Independent Clinic, Independent Laboratory, Inpatient Psychiatric Facility, Psychiatric Facility-Partial Hospitalization, Skilled Nursing Facility, Unassigned, and Urgent Care Facility

Notice of Public Forum
Alaska Section 1332 Innovation Waiver
April 16, 2019

In July of 2017, the Alaska Division of Insurance was awarded a Section 1332 Innovation Waiver under the Patient Protection and Affordable Care Act. The waiver provided an estimated \$322 million in federal funding to support the Alaska Reinsurance Program through 2022, which has helped to reduce premium costs and provide stability in Alaska's individual health care insurance market. The waiver took effect on January 1, 2018. Under the specific terms and conditions of the award, the division has scheduled its annual forum to collect meaningful public comment on the progress of the waiver. Interested parties may attend the forum in person or by teleconference as listed below, or may submit comments in writing up to 5:00 pm Alaska Time Zone on April 16, 2019.

When:

April 16, 2019	9:00 am – 10:00 am (Alaska Time Zone)
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Where (Two Locations):

Alaska Division of Insurance 550 West 7 th Avenue, Suite 1560 Anchorage, Alaska	Alaska Division of Insurance 9 th Floor State Office Building, Conference Rm. B Juneau, Alaska
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Teleconference Number: 1-800-315-6338 (Access Code: 42070#)

Submit comments in writing to: Alaska Division of Insurance
P.O. Box 110805
Juneau, Alaska 99811-0805

Email: insurance@alaska.gov

- Written comments are due by 5:00 pm Alaska Time Zone on April 16, 2019

Reference Documents:

[Alaska's Section 1332 Waiver Application](#)

[Federal Approval Notice](#)

[2019 Federal Pass-through Funding Calculation](#)

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(907) 465-2515