

NOTICE OF PROPOSED CHANGES TO ESTABLISH A REINSURANCE PROGRAM TO  
REINSURE HIGH RISK RESIDENTS OF THIS STATE  
IN THE REGULATIONS OF THE DIVISION OF INSURANCE

BRIEF DESCRIPTION

The Alaska Division of Insurance proposes to change regulations to establish the Alaska Reinsurance Program to reinsure high risk residents of this state. The regulations specify the covered conditions eligible for payment through the reinsurance program and provide for the Alaska Comprehensive Health Insurance Association to implement and administer the program under the proposed regulations and a plan of operation.

The Alaska Division of Insurance proposes to adopt regulation changes in Title 3 of the Alaska Administrative Code dealing with a reinsurance program to reinsure high risk residents of this state, including the following:

3 AAC 31 is proposed to be amended as follows:

3 AAC 31.500 is repealed and readopted to add a purpose statement and specify applicability requirements for participation in the program. The purpose of the regulations is to establish a high risk reinsurance program to stabilize Alaska's health insurance premiums, encourage participation in the individual health insurance market, and support a state application to the United States Secretary of Health and Human Services for waiver of certain requirements of the Patient Protection and Affordable Care Act.

3 AAC 31.505 adds a new section that establishes the Alaska Reinsurance Program within the Comprehensive Health Insurance Association (association) for high risk residents with specific conditions listed in 3 AAC 31.540. Claims of high risk residents with a listed condition are eligible for payment from the reinsurance program subject to the availability of funds from legislative appropriation or other sources. The association shall administer the reinsurance program under a contract with the director and will be effective January 1, 2017.

3 AAC 31.510 is amended to require the association to establish a plan of operation for the Alaska Reinsurance Program and a process to reimburse participating health insurers for paid claims and details requirements for the association to accept a ceded risk.

3 AAC 31.515 adds a new section providing the requirements a health care insurer must meet to be eligible for reinsurance payments for reimbursement for claims of a high risk resident with a covered condition that have been paid by the health care insurer.

3 AAC 31.520 is repealed and readopted. This section provides health care insurer duties and rules for participation in the Alaska Reinsurance Program.

3 AAC 31.525 adds a new section providing requirements and procedures for a health care insurer's handling of premiums and other financial matters.

3 AAC 31.530 is repealed and readopted. This section provides procedures for accounting, reporting, and auditing.

3 AAC 31.535 adds a new section providing procedures for the association to conduct an annual true-up process to prevent a deficit in the fund for that calendar year and to prevent a windfall to an insurer as a result of third party recoveries, recovery of overpayments, commercial reinsurance recoveries, or risk adjustments made under the Patient Protection and Affordable Care Act.

3 AAC 31.540 adds a new section listing covered health conditions of a high risk resident that are eligible for reimbursement through the reinsurance program.

3 AAC 31.549 repeals and readopts the definitions applicable under 3 AAC 31.500-31.549.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to the Division of Insurance; Attention: Sarah Bailey; P.O. Box 110805; Juneau, AK 99811-0805; by e-mail to [sarah.bailey@alaska.gov](mailto:sarah.bailey@alaska.gov); or by fax to (907) 465-3422. Comments may also be submitted through the Alaska Online Public Notice System at <http://aws.state.ak.us/OnlinePublicNotices>. All comments must be received **no later than 5:00 p.m., October 21, 2016**.

Oral or written comments also may be submitted at a hearing to be held on **October 21, 2016** in Conference Room B on the ninth floor of the State Office Building, located at 333 Willoughby Ave., Juneau, Alaska. The hearing will be held from **10:30 a.m. to 11:30 a.m.** and might be extended to accommodate those present before **11:30 a.m.** who did not have an opportunity to comment. If you are unable to attend the meeting in person and would like to participate by teleconference, please call 1-800-315-6338 and enter the access code 42070 followed by #.

You may submit written questions relevant to the proposed action to the Division of Insurance; Attention: Sarah Bailey; P.O. Box 110805, Juneau, AK 99811-0805 or by e-mail to [sarah.bailey@alaska.gov](mailto:sarah.bailey@alaska.gov). **The questions must be received at least 10 days before the end of the public comment period.** The division will aggregate its response to substantially similar questions and make the questions and responses available on the division's website at <https://www.commerce.alaska.gov/web/ins/HearingsMeetingsandNotices.aspx> and on the Alaska Online Public Notice System. The division may, but is not required to, answer written questions received after the 10-day cut-off date and before the end of the comment period.

If you are a person with a disability who needs a special accommodation in order to participate in the process, please contact Laura Watson at [laura.watson@alaska.gov](mailto:laura.watson@alaska.gov) or (907) 465-2597 or TDD (907) 465-5437 no later than **October 11, 2016** to ensure that any necessary accommodations can be provided.

A copy of the proposed regulation changes is available on the division's website at <https://www.commerce.alaska.gov/web/ins/HearingsMeetingsandNotices.aspx>, on the Alaska

Online Public Notice System, by contacting Sarah Bailey at [sarah.bailey@alaska.gov](mailto:sarah.bailey@alaska.gov), or by calling (907) 269-7900 in Anchorage or (907) 465-2515 in Juneau.

After the public comment period ends, the Division of Insurance will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulation may be different from that of the proposed regulation. YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTERESTS COULD BE AFFECTED. Written comments received are public records and are subject to public inspection.

**Statutory Authority:** AS 21.06.090; AS 21.55.040; AS 21.55.400

**Statutes Being Implemented, Interpreted, or Made Specific:** AS 21.07.250; AS 21.42.599; AS 21.51.500; AS 21.54.500; 21.55.220.

**Fiscal Information:** The proposed regulation changes will require increased appropriations. For FY 17, the legislature appropriated \$55 million dollars for the reinsurance program. For succeeding fiscal years, the reinsurance payments under the proposed reinsurance program under the proposed regulations will be scaled upward or downward depending on the availability of funds appropriated to the program by the legislature. The estimate for FY 18 is dependent on the legislature's continuing support for the program at the same level as funded for FY 17.

AS 21.55.430, which creates the Alaska comprehensive health insurance fund, provides that the legislature may use the annual estimated balance in the fund to make appropriations to the Department of Commerce, Community, and Economic Development to fund the proposed reinsurance program under the proposed regulations under AS 21.55. Under section 6, ch 5 4SSLA 16, AS 21.55.430 is repealed June 30, 2018. While the program is not being repealed by the legislature, the division, at this time, is viewing the repeal of the fund as legislative intent to not fund the program beyond FY 18. Therefore, the estimates for FY 19 and FY 20 are zero.

DATE: September 16, 2016.



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Lori Wing-Heier  
Director of Insurance