



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

A collage of three images: a boat on the water, a wooden boardwalk with houses, and a yellow mining truck.

1332 STATE INNOVATION WAIVER

PUBLIC FORUM

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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. Not increase the 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 34 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 passed HB374 providing statutory authority for Section 1332 Innovation Waiver

January 2017

- Alaska submitted a complete waiver application to CMS on January 3, 2017

January 2017

- Alaska received DHHS preliminary determination that application was complete on January 17, 2017



Alaska's Timeline continued...

July 2017

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

October 2017

- First status report was sent 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



Alaska's Timeline continued...

2019

- Program was \$68.7 million for 2019
- Draft 2019 annual report on the Division of Insurance website



Timeline continued.....

2020

- Program set at \$69 million for 2020

March 2020

- Due to the Covid-19 emergency, the Division added Covid-19 as the 34th HCC and \$6.5 million to the program

April 2020

- Division received final award amount of \$76 million for 2020



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 providing insight and recommendations in setting up reinsurance programs by sharing our process and experience.
- To date, six other states have instated 1332 reinsurance programs: Maine, Maryland, Minnesota, New Jersey, Oregon, and Wisconsin



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?

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