

THE WALL STREET JOURNAL.

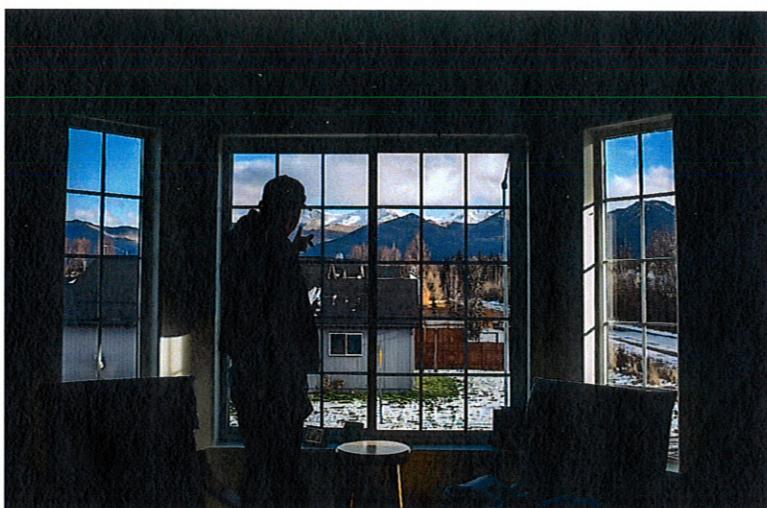
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<http://www.wsj.com/articles/alaskas-novel-plan-to-cut-health-premium-costs-1479825777>

U.S.

Alaska's Novel Plan to Cut Health Premium Costs

State agrees to pay costs for about 500 sickest residents to hold down insurance prices for everyone else



Carl Michael gestures to the Chugach Mountains from his home in Anchorage: 'This view is why I live here.' Mr. Michael says health insurance under Obamacare is so expensive that he either can pay for coverage or pay his mortgage. *PHOTO: ASH ADAMS FOR THE WALL STREET JOURNAL*

By SHAYNDI RAICE and ANNA WILDE MATHEWS

Nov. 22, 2016 9:42 a.m. ET

ANCHORAGE, Alaska—Health-insurance premiums for individuals in Alaska have been soaring almost 40% a year. The main reason: the cost of covering fewer than 500 residents who are among the sickest in the state, according to one state analysis.

That prompted the state government to come up with a novel solution. It agreed in June to kick in \$55 million for at least a year to cover the health-care costs for those patients, whose outside medical bills prompted insurers to boost premiums for all 23,000 customers in an effort to remain profitable.

Alaska's program—passed by a Republican legislature and backed by an independent governor—may gain new attention with Donald Trump's victory.

The president-elect has said he wants to retain the Affordable Care Act's requirement that insurers can't reject customers even if they are sick. That would ensure that the challenge of covering the costliest patients remains front and center as Republicans look to repeal or alter the law.

Rates in Alaska climbed in part because insurers weren't able to enroll enough healthy people to offset the medical costs of "high-risk" patients, those with conditions such as cancer or advanced diabetes.

"The functioning of the individual market rests on the assumption that there has to be enough healthy people covering individuals who have high health-care bills," said Mouhcine Guettabi, an economist at the University of Alaska Anchorage. But Alaska's individual market hasn't been large enough to make that work, he said.

Officials even worried that Alaska might have no individual insurance market by 2018 after one of the two Affordable Care Act insurers offering plans in the state said it would exit the business next year.

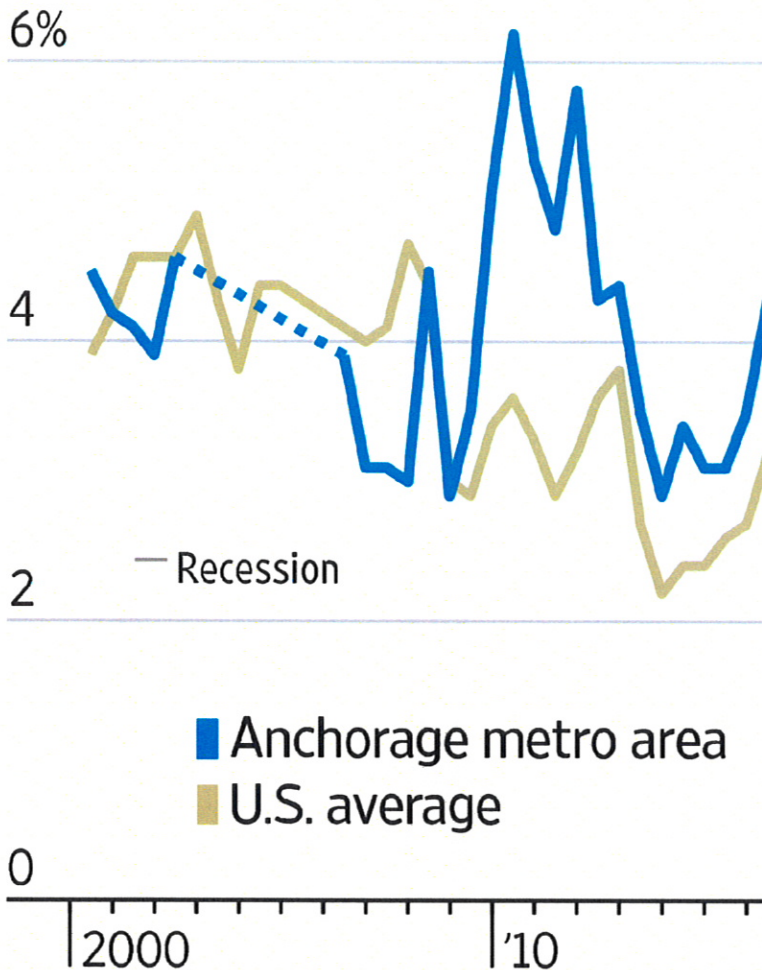
"We were in pretty dire straits," said Lori Wing-Heier, director of Alaska's Division of Insurance.

While campaigning, Mr. Trump advocated repealing and replacing the Affordable Care Act. But since his election, he has shown an openness to keeping some of its provisions.

His transition website says his administration will support returning "the historic role in regulating health insurance to the states." It also endorses working with Congress and states to re-establish high-risk pools, which sold insurance to people with existing conditions such as diabetes, cancer and AIDS. Such pools have had financial and other problems, requiring significant government subsidies and leading to high premiums.

Higher Peaks

Consumer Price Index for medical care, change from a year earlier



Note: Data from Jan. and July; Anchorage medical CPI data not available from 2002-04

Source: Labor Department via Federal Reserve Bank of St. Louis

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“Alaska remains confident that our legislation establishing a high-risk pool, as a reinsurance mechanism, is a part of the solution to lowering the costs to the individual market and could be a key reform for the ACA,” said Ms. Wing-Heier in an email. “We hope that it is considered by the new administration.”

Amid expected changes at the national level, Alaska’s program is likely to become a model for other states, said Sean Mullin, senior director at Leavitt Partners, a health-care consulting firm.

The idea fits with the Republican emphasis on greater autonomy for states, and could help ease the transition if the federal health-insurance framework is substantially revamped, he said.

Alaska reflects an extreme example of problems plaguing many

ACA insurance exchanges nationwide, as insurers pulled out due to losses while those remaining often won large rate increases.

Before the changes brought by the health law, Alaskans denied coverage elsewhere could gain plans through a state high-risk pool. As cheaper plans became available through the law, that population switched over to them.

The new Alaska move kicks the costs of those patients back to the state program, which will reimburse Alaska's one remaining health-exchange insurer, Premera Blue Cross. Those residents won't know the state is footing the bill.

Individual-plan premiums will now go up just 7.3% on average next year, instead of the more than 40% that had been projected, though Alaska's exchange plans are still expected to be among the nation's most expensive.



Carl Michael, 54, on his street in Anchorage. PHOTO: ASH ADAMS FOR THE WALL STREET JOURNAL

Alaska is now working on seeking federal funding from the Centers for Medicare and Medicaid Services to help pay the program's ongoing cost, though that option is uncertain given the federal health law's murky future.

"We are hoping for favorable consideration from the incoming Trump administration" on help in funding, said Ms. Wing-Heier.

Alaskans pay more for health care in part because the state has a small population spread across a vast area. Between 2000 and 2015, medical care costs grew 87% in Anchorage, compared with 71% for the rest of the U.S., according to the Labor Department.

Carl Michael, a 54-year-old retired heavy-equipment operator in Anchorage, decided he couldn't afford an ACA plan for 2016 when faced with a premium and deductibles that would have totaled about \$18,000 a year, or 35% of the after-tax wages he makes as a seasonal construction inspector.

Because Mr. Michael earns too much to qualify for a federal subsidy under the health law, he faced the choice of being able to afford the mortgage on his house or buying an ACA-compliant plan. He went with non-ACA-compliant health insurance offering limited coverage, so he faces a penalty under the health law.

"Do you want to spend 35% on your health insurance and live in the ghetto or do you want to take a chance that you don't get sick?" said Mr. Michael, who lives in Anchorage. "At 54, you gotta have something."

Most of Alaska's 738,000 residents get health insurance through their employer or a government program, including an expansion of the state Medicaid program as provided under the health law, leaving a small ACA pool.

Premera, the remaining Alaska exchange insurer, said it believes Alaska's "solution will build a more stable and sustainable market without broad swings in premiums."

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