



Alaska 1332 Waiver Application-

December 7, 2016

State of Alaska
Department of Commerce, Community,
and Economic Development
Division of Insurance

Table of Contents

Executive Summary.....	3
Assurances.....	4
Summary of Alaska Waiver Proposal.....	4
Impact if Waiver Not Granted	5
Characteristics of Alaska and Health Insurance Market	5
Characterization of Defined Population	6
Proposed Waiver: Utilizing Pass-Through Funding.....	7
Description of Waiver Program	8
Pass-Through Funding Proposal.....	8
Tax Credit Proposal.....	9
Affected Populations and Demographics	9
Effect on Residents’ Ability to Get Care-Out-of-State.....	10
Description of Post-Waiver Program	10
Number of Employers Offering Coverage Pre/Post Waiver	10
Impact on Insurance Coverage in State.....	10
Increase/Decrease in Administrative Burden	11
Effect on Sections of ACA Not Waived.....	11
Comparability	11
10-Year Waiver (Budget Neutrality).....	14
Assuming Compliance, Reducing Waste and Fraud.....	14
Implementation Timeline and Process	15
Reporting Responsibilities	15
Waiver Development Process.....	15

Attachments

Enacted Legislation	Attachment 1
ARP Regulation.....	Attachment 2
Actuarial Analysis.....	Attachment 3
Economic Analysis	Attachment 4
Reporting Targets	Pending

Appendices

Waivable Sections	I
Section-by-Section Consideration	II
CMS Blog.....	III
Letters of Support.....	IV
Wall Street Journal (November 22, 2016)	V

Alaska's Proposal to Waive Certain Provisions of the Patient Protection & Affordable Care Act Per Section 1332, Waivers for State Innovation

Executive Summary

Alaska has not simply accepted the Affordable Care Act (ACA) and let the pieces fall where they may. Governor Bill Walker's administration and the Alaska Legislature crafted policy that buttressed the success of the ACA for all Alaskans. The state devised an innovative solution to reinsure the most vulnerable individuals, which in turn helped lower healthcare premium costs and stabilize and long-term viability of the individual health insurance market. Approval of Alaska's waiver application would be a prime example of a successful state-federal partnership—a partnership in which the ACA meets its goals and insurance is affordable to individual Alaskans.

Alaska is utilizing the flexibility granted to states through the 1332 process to stabilize the individual healthcare market. Many Alaskans benefitted from the overarching policy changes within the ACA; the ACA made health care more accessible and reduced the number of uninsured Alaskans. However, covering Alaskans with high cost conditions proved to be expensive, insurers pulled out of the individual health insurance market, and premiums skyrocketed.

Since the onset of the ACA, Alaska has been faced with escalating healthcare costs. For 2017, initial rate information indicated that premiums in the individual healthcare market were projected to increase 42%. The state took action, and passed legislation creating the Alaska Reinsurance Program (ARP). The legislature also appropriated \$55 million to fund the program in 2017. As a result of state action, premiums in the individual market will increase approximately 7% in 2017. The state's actuarial analysis estimates the ARP will save the federal government \$51.6 million in Advanced Premium Tax Credits (APTC) for 2018 and will increase enrollment in the individual market by nearly 1,650 relative to what APTC and enrollment would be absent the ARP.

Alaska is seeking federal funding under section 36B of the Internal Revenue Code. Under the proposed waiver, the federal government would provide pass-through funds to ensure the long-term stabilization and viability of Alaska's individual health insurance market. Alaska would receive federal funding to subsidize the ARP, based on savings that would be generated as a result of a reduction in APTC absent Alaska's reinsurance program. The state would appropriate the remaining amount of funds necessary to ensure the ARP is fully funded, after adjusting for medical inflation. The State Innovation Waiver would be effective January 1, 2018 for an initial period of five years, with an option to renew for an additional five years.

Assurances

Alaska's proposed waiver intends to pass-through APTC savings to partially fund the ARP. The state would appropriate the remaining amount to fully fund the ARP, after adjusting for medical inflation. The ARP mitigates rate increases in the Alaska individual health insurance market and as a result limits the amount of premium tax credits the federal government is responsible for providing to Alaska residents. By removing high cost conditions from the risk pool, the benefits of the ARP are shared by the entire individual health insurance market regardless of income, age, race and ethnic group, or any other demographic characteristic. Alaska does not seek to waive any aspect of the ACA that would reduce access to meaningful, affordable insurance for any resident and does not contemplate changes to the Medicaid program, individual exchange, or direct purchase with this proposal. The State of Alaska provides the following assurances:

- A. Scope of Coverage. The proposed waiver meets the comparability test because there will be a small increase in the number of Alaska residents covered. There will not be any changes in coverage for vulnerable populations by coverage category, health status, age, geographic location, or any other demographic characteristic due to the waiver.
- B. Affordability. The proposed waiver meets the "affordability" test in that it will not change the coverage and cost sharing protections against excessive out-of-pocket spending. The waiver will not result in any differences in affordability for individuals with large health care costs, for vulnerable groups, or at-risk populations. There will be no post-waiver increases in net out-of-pocket expenses, deductibles, co-pays, co-insurance, or premium contributions.
- C. Comprehensiveness. The proposed waiver will retain the scope of benefits for the affected program and population, including requiring the provision of the ten Essential Health Benefits (EHB), identified in the benchmark plan. It will not result in a decrease in the number of individuals with coverage that meets the EHB requirements or in any way diminish benefits currently provided by Medicaid or employers.
- D. Deficit Neutrality. It is expected that the proposed waiver will not result in increased spending, administrative or other expenses to the federal government. It will reduce federal revenues through individual shared responsibility payments, health insurance provider fees, and exchange user fees. The net effect is large and substantial savings to the federal government.
- E. Pass-Through Funding. The state proposes that funds which the federal government would have paid as individual premium tax credits be passed through to the state to supplement the ARP.
- F. Effect on Federal Operational Considerations. The proposed waiver requests no consideration of any kind for state-specific changes to federally-facilitated exchanges. The waiver requires federal premium tax credit savings be passed through to the state.
- G. Public Input. The proposed waiver has been publicly posted, public hearings are scheduled, and public comment will be solicited in compliance with 31 CFR 33.112 and 45 CFR 155.1312. Postings on-line meet national standards to assure access to individuals with disabilities.

Summary of Alaska's Waiver Proposal

Rationale

Alaska's individual health insurance market experienced significant rate increases in 2014-2015 and 2015-2016. Moda, one of Alaska's two individual market insurers in 2016, announced they would not be offering plans in 2017. The announcement highlighted the fragility of Alaska individual health

insurance market, with Premera Blue Cross Blue Shield as the sole insurer in Alaska’s individual market in 2017. Without state legislative action, Alaska’s consumers would have faced another large rate increase.

Benefits of Waiver

Source	Baseline	Waiver
2018 Premiums (Tables 19 & 20)	\$1,191 PMPM ¹	\$953 PMPM
2018 Enrollment (Tables 1 & 2)	21,253	22,894

Section Impacted by Pass-Through Funding

As permitted by the ACA, Alaska proposes to apply the federal funding that would be paid absent the ARP. This funding could be combined with future state appropriations to further stabilize the individual market. The implementation of the ARP directly affects the cost of the “applicable second lowest cost silver plan” (2LCSP) in Section 36B (b) (3) (B) of the Internal Revenue Code.

Impact if Waiver is Not Granted

Alaska has an extremely fragile healthcare market with the individual market having only one insurer at the present time. Without a permanently funded ARP, rates in the individual healthcare market are expected to rise at an unsustainable rate. More Alaskans will drop out of the market and opt to pay fines because they cannot afford insurance.

Due to financial concerns, the state legislature only appropriated funding for the ARP for 2017. The Division of Insurance must seek a funding appropriation on an annual basis, without assurances that the legislature will fund the ARP going forward. A five year federal commitment creates stability for the ARP and shows that the ARP has long-term viability.

Without a waiver, there is a likelihood the state will not be able to continue to fund the ARP and cost of premiums will increase substantially resulting in fewer Alaskans being able to purchase healthcare coverage. With a waiver, from 2018-2022, it is anticipated that an additional 1,485 individuals will have coverage due to the lower cost of healthcare due to federal and state subsidization and stabilization of the market.²

Characteristics of Alaska’s Health Insurance Market

Access to care has long been a challenge in Alaska due to its large geographic size, rural population, and insufficient health care provider competition. Because of these challenges common managed care practices such as legislated network adequacy levels, closed network plans and the development of HMO have not been successful.

With a population of 738,432 spread across 570,641 square miles, Alaska has a small population and is the largest and one of the most geographically isolated states in the nation. Alaska is the least densely populated state; density is 1.3 per square mile in Alaska while 49th ranked Wyoming has a population density of 6.0. While more individuals are employed by large employers, the majority of employers are small businesses with fewer than 50 employees. According to an Alaska Department of Labor and Workforce Development report in 2011, 95.8% of firms employ fewer than 50

¹ Per Member Per Month (PMPM)

² Oliver Wyman, *Alaska 1332 Waiver, Actuarial Analysis and Certification*, November 2016, 14.

employees; however, half of the jobs are provided by employers with more than 100 employees. The majority of these workers receive health benefits through their employer.³

Reflecting its population size, Alaska has a small insurance marketplace. In 2016, there were approximately 24,064 Alaskans with individual health insurance coverage and 17,746 Alaskans with small employer health insurance coverage.

For calendar year 2017, only one insurer is offering individual health insurance coverage both inside and outside the Federally-Facilitated Marketplace (FFM). There are currently four insurance companies offering small group insurance coverage, two of which are on the federally facilitated Small Business Health Options Program (SHOP).

Prior to 2014 Alaska's uninsured population was estimated at approximately 134,000 residents, mostly non-elderly adults. After two years of expanded ACA enrollment opportunities, the number of uninsured residents in Alaska is estimated to be 100,000 people.^{4 5}

The cost of health care is very high in Alaska and access is limited, compared to other states, particularly for specialty services.⁶ As a result a significant percentage of health care services are received out of state: Juneau residents 20%, Ketchikan residents 25%, and Anchorage/Fairbanks residents 12%.

Characterizations of Defined Populations

Alaska Native/American Indian

Roughly 14% of the Alaska population identifies as Alaska Native or American Indian (AI/AN). The majority of Alaska Natives have health insurance through employer or other group coverage. Alaska Natives also benefit from a Tribal Health Consortium, which provides access to care for Native Alaskans. In 1998, Alaska Native Tribal Health Consortium signed a contract to assume responsibility for the operations of the majority of the Indian Health Service (IHS) Alaska office programs. This homegrown effort has resulted in superior services for Alaska Natives – particularly those in rural areas - compared to the IHS services available in the Lower 48. Alaska Natives with access to IHS-based health care may have employer, Medicare, Medicaid, military or individual health insurance. IHS is not considered minimum essential coverage for purposes of the ACA. However, under the ACA, AI/AN may choose to take a lifetime exemption from the individual mandate due to their membership in a recognized Indian Tribe or Native Corporation.

Military

A small percentage of Alaska's population has health coverage related to current or previous military service. This includes Air Force, Army, Coast Guard and Veteran's Administration beneficiaries.

³ Most Alaska Employers are small but the majority of private-sector jobs are in larger firms. Fried and Shanks. <http://labor.alaska.gov/research/trendssep12art2.pdf>

⁴ Alaska Selected Economic Characteristics, American Community Survey 5-year estimates, United States Census, <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

⁵ Oliver Wyman, *Alaska 1332 Waiver, Actuarial Analysis and Certification*, November 2016, Appendix B Table 1

⁶ Alaska consumers are protected by the state's rating approval process which was deemed effective by the Centers for Medicare & Medicaid Services.

Military coverage is included in the “government coverage” line of the charts in Appendix B of the actuarial study.

Medicaid

In September 2015, Governor Bill Walker expanded Medicaid to include adults without dependent children who met the financial requirements for coverage. Prior to the expansion, about 18% of Alaskans had health coverage through the Medicaid or Denali Kid Care programs. It was expected that 42,000 Alaskans would be newly eligible for coverage, and about 23,000 newly covered individuals have enrolled since expansion.⁷ Children or pregnant women with certain income levels may have had multiple coverage sources such as employer-based in addition to Medicaid coverage.

Proposed Waiver: Utilizing Pass-Through Funding

As provided by the ACA, Alaska proposes to apply the federal funding that would be paid absent the ARP. This funding could be combined with future state appropriations to further stabilize the individual market. The implementation of the ARP directly affects the cost of the “applicable second lowest cost silver plan” (2LCSP) in Section 36B (b)(3)(B) of the Internal Revenue Code.

B) APPLICABLE SECOND LOWEST COST SILVER PLAN.—

The applicable second lowest cost silver plan with respect to any applicable taxpayer is the second lowest cost silver plan of the individual market in the rating area in which the taxpayer resides which—

“(i) is offered through the same Exchange through which the qualified health plans taken into account under paragraph (2) (A) were offered, and

“(ii) provides—

“(I) self-only coverage in the case of an applicable taxpayer—

“(aa) whose tax for the taxable year is determined under section 1(c) (relating to unmarried individuals other than surviving spouses and heads of households) and who is not allowed a deduction under section 151 for the taxable year with respect to a dependent, or

“(bb) who is not described in item (aa) but who purchases only self-only coverage, and

“(II) family coverage in the case of any other applicable taxpayer.

Due to the state’s subsidization of the individual market, the required premium is less than it would be absent the program. Because the required premium is less, the federal premium tax credits are also less than they would be absent the program. The state proposes to receive the federal pass-through funding as described in the December 11, 2015 guidance.⁸ The federal funding would be utilized to ensure the viability of the individual market by stabilizing the premiums. Alaska has by far the highest premiums in the nation for ACA plans due to the significant underlying claims incurred by the individual market population.

⁷ <http://dhss.alaska.gov/HealthyAlaska/Pages/dashboard.aspx>

⁸ <https://www.federalregister.gov/documents/2015/12/16/2015-31563/waivers-for-state-innovation>

Description of Waiver Program

On July 18, 2016, Governor Bill Walker signed House Bill 374, enabling legislation that created the ARP and permitted pursuit of a State Innovation Waiver under Section 1332 of the ACA. The ARP legislation allows for the appropriation of funds from various premium taxes to stabilize Alaska's individual health insurance market. Without state legislative action, Alaska's consumers would have faced another substantial rate increase.

Alaska plans to stabilize the individual market by using the funds to totally or partially reimburse the insurer for incurred claims from high-risk residents. These high-risk residents are defined as people who have been diagnosed with one or more of the covered conditions identified in regulation. The insurer will still be administering the claims; the Alaska Comprehensive Health Insurance Association (ACHIA) will receive the state funding, audit the claim requests, and disburse the funds on a periodic basis upon acceptance.

As support for the legislation, ACHIA commissioned an actuarial study to analyze the medical conditions that had the most significant impact on the markets incurred claims. Some of the highest medical cost conditions include hemophilia, metastatic cancer, and lung, brain, and other severe cancers, including pediatric acute lymphoid leukemia. The study produced four sets of conditions projecting each set's costs for 2017. The summary allowed the legislature to consider the extent to which they wanted to appropriate funding; the legislature appropriated \$55 million to fund the reinsurance program in 2017.

The remaining insurer in Alaska's individual market considered the amount appropriated when developing the 2017 rates assuming that the full appropriation (\$55 million) would be reimbursed during the 2017 policy-year claims. As a result, the overall rate increase was significantly lower than if there was no ARP.

Pass-Through Funding Proposal

As can be seen in Table 36 of Appendix B, under the waiver scenario, the ARP saves the federal government approximately \$51.6 million during 2018.

Not only do the projected savings reflect the general proportion of the individuals who are eligible for subsidies, the inclusion of the non-APTC consumers under the waiver scenario further assists the pool due to their favorable health status. The premium will generally remain about the same for those receiving premium tax credits. Without the ARP, the state would anticipate lapses for those who are not eligible for subsidies. The proportion of non-APTC consumers affects the amount of expected pass-through funding.

Federal support via pass-through funding would support the continued viability of the ARP and the Alaska individual market.

Tax Credit Proposal

Due to the ARP, the federal government will realize significant savings from the reduced premium tax credits since a significant share of Alaska's individual health insurance market consumers are eligible for subsidies. The formula for a consumer's premium tax credit is the cost of the second lowest cost silver plan (2LCSP) minus the household's required contribution which depends on the

percentage of Federal Poverty Level (FPL). With a lower rate increase, the cost of a 2LCSP is less; therefore, the amount of subsidy or APTC provided to the household will be less. As the state’s proposal for the innovation waiver, Alaska requests that the savings to the federal government from ARP are provided to the state as pass-through funding to be used as future appropriations to the fund, which will further lessen the financial stress on Alaska’s individual health insurance market. Please see Tables 34-36 in Appendix B of the actuarial analyses demonstrating the projected APTC under the Baseline and Waiver scenarios. Table 36 reflects the savings in the Waiver scenario.

Affected Populations and Demographics

Alaska’s waiver proposal would provide the funding in support of the ARP to stabilize the Alaska individual market. The waiver will maintain rather than reduce coverage, affordability, and comprehensiveness, and its approval will have no material effect on the federal deficit.

In 2016, Alaska had 24,064 people in the individual health insurance market.

Demographics of Alaska’s individual health market are shown below.

Alaska Anticipated Coverage Distribution by age (2018)

Age	Baseline (Table 10)	Waiver (Table 11)	Change (Table 12)
0-17	2,277	2,324	48
18-34	5,910	6,783	873
35-49	4,195	4,446	251
50+	8,871	9,341	470

Anticipated Coverage Distribution by Income to Poverty Ratio (2018)

Federal Poverty Level	Baseline (Table 7)	Waiver (Table 8)	Change (Table 9)
0% to 199%	7,687	7,700	13
200% to 299%	4,077	4,083	7
300% to 400%	4,684	4,624	-61
More than 400%	4,805	6,487	1,682

Anticipated Coverage Distribution by Health Status (2018)

	Baseline (Table 13)	Waiver (Table 14)	Change (Table 15)
Excellent	6,244	6,465	222
Very Good	4,694	5,847	1,153
Good	7,331	7,534	203
Fair	2,363	2,429	65
Poor	621	620	-1

Effect on Residents’ Ability to Get Care Out of State

Alaska’s proposed waiver will have no effect on residents’ ability to obtain care out of state. Benefits would not be changed due to the waiver program. Alaska health plans provide for coverage out of state because of the limited access to care within the state.

Description of Post-Waiver Marketplace

Individual Health Insurance Market

There will be no change to the function of the individual market. Individuals and families may apply on the FFM at www.healthcare.gov where eligibility for Medicaid, tax credits, or cost-sharing reductions will be determined. Individuals and families not eligible for other public or private coverage will be able to complete enrollment in a participating Qualified Health Plan at the FFM. Alaska consumers who are not eligible for premium tax credits may continue to purchase health insurance either through the FFM or directly from an insurance company. Assistance with plan selection may be provided by an agent or broker, navigator or other in-person assister.

Small and Large Employers

There will be no change in the insurance market for small and large employer groups which comply with the ACA. Employers will have the option of purchasing health insurance through the SHOP or directly from an insurance company. Agents or brokers may assist with the selection of an appropriate plan.

Number of Employers Offering Coverage Pre/Post Waiver

Alaska does not expect any changes in the number of employers offering coverage in state.

Impact on Insurance Coverage in the State

Alaska's proposed waiver seeks pass-through funds based on savings to the federal government. It will not directly affect coverage in the marketplace because the ARP does not affect the benefits or coverage available.

The program is intended, however, to provide stability to the individual health insurance market and potentially attract health insurance companies. Alaska's proposal encourages competition in the state. If the additional companies move into the Alaska individual market, consumers would benefit from natural market forces. For 2017 there is one insurer offering individual health insurance, but there may be interest in subsequent years from other insurers if the market is stabilized.

Actuarial modeling provided by Oliver Wyman indicates that the ARP will help reduce the rates necessary for insurers in the Alaska individual market and thus the premium amounts charged to Alaskans.⁹ In addition, the slowing of the growth of rate increases and potential rate decreases due to the ARP may draw additional Alaskans to join the market. Modeling indicates that the impact may draw healthier members into individual market further reducing premium rates.

Alaska's waiver does not seek modification of the benefits offered to Alaska consumers. Benefit packages are expected to continue to contain essential health benefits, remain relatively rich, and have required out-of-pocket limits.

Under a waiver, Alaska's insurance coverage will continue to meet the requirements of federal law.

⁹ Oliver Wyman, *Alaska 1332 Waiver, Actuarial Analysis and Certification*, November 2016, 15.

Increase/Decrease in Administrative Burden

Alaska expects that the proposed waiver will have a mixed result in administrative burden and related costs for all relevant parties. Consumers and insurers will be unaffected, but the state of Alaska will have additional reporting requirements to the federal government related to the waiver. The federal government will have additional requirements with regard to pass-through funding.

For Individuals and their Families

There will be no administrative impact to individuals and families related to this waiver. Individuals will continue to purchase individual and family plans in the same manner. Consumers can purchase plans on the FFM at www.healthcare.gov (particularly if they wish to obtain a tax credit) or they may work with a broker or agent to contact an insurer directly regarding purchasing insurance coverage outside the exchange.

For Insurers

Under the proposed waiver, insurers will continue to manage enrollment and administration of claims in the same manner as they have previously. While they will have additional administrative requirements if they participate in the ARP, the waiver would not impact insurers' operation or administration of the ARP.

For State Agencies

Under the waiver, Alaska will be required to provide to the federal government reports, actuarial studies, and other documentation justifying the amount of pass-through funding provided in support of the ARP.

For Federal Agencies

The proposed waiver's impact on the federal agencies is limited to the administrative work of calculating and facilitating the transfer of pass-through funds. The waiver does not require modifications to the FFM. The waiver also does not affect the calculation of APTC or the reconciliation of premium tax credits when consumers file their taxes. Alaska's waiver does not necessitate major operational changes for the FFM or IRS.

Effect on Sections of ACA that are Not Proposed to be Waived

No section of the ACA that would be adversely affected by the proposed waiver.

Comparability: Data and Analysis, Actuarial Certifications, Assumptions, Targets

Attachments 3 and 4 provide detailed data and analysis for Alaska's proposed waiver. The actuarial and economic studies find that, compared to a baseline without a waiver, the scenario with a waiver will have no impact on affordability, comprehensiveness, federal deficit neutrality, or the effect on federal operational considerations. However, coverage comparability will be positively impacted. Actuarial analysis reflects increased enrollment in the individual market.

Coverage comparability

The proposed waiver meets the comparability test because there will be an increase in the number of Alaska residents covered. There will not be any changes in coverage for vulnerable populations by coverage category, health status, age, geographic location, or any other demographic characteristic due to the waiver. The actuarial analysis which used Oliver Wyman's Healthcare Reform

Microsimulation Model, indicates that additional enrollees will be covered under the waiver scenario. The increased enrollment is expected to come from Alaskans above 400% FPL who are younger and healthier compared to the current individual market. This segment of the population has resisted entering the individual health insurance market due to the high insurance costs in Alaska.

There is no impact to employer group coverage and governmental insurance programs.

Affordability of coverage

Alaska's premiums are the highest in the country. The purpose of the ARP is to mitigate rate increases by removing high cost claims from the individual health market. Premium tax credits associated with the ACA will continue to be paid based on federal methodology, but the growth of such payments are slowed by the ARP. Actuarial modeling shows that due to the ARP, premiums are expected to be 20% lower under the waiver scenario. APTC eligible individuals will see little change in premium due to their receipt of APTC. Alaskans with incomes above 400% FPL who currently pay all premiums without any federal tax credits will experience premium reductions.

Actuarial modeling showed that there may be a small sub-set of the population in the 300 – 400% FPL that will drop coverage¹⁰ because their premium amounts will increase compared to their current premium due to reductions in APTC amounts. The affordability of coverage guardrail is still met in this instance because this population is not considered vulnerable, and the federal limits of affordability remain in place.

Under the ACA the amount consumers are expected to contribute to healthcare costs is limited to a percentage of their income. Alaskans with incomes of 250 – 400% FPL continue to be eligible for tax credits based on the second lowest cost silver plan¹¹ and if they purchased a silver plan, they would pay premiums that the federal government deems affordable. A small number of currently covered consumers may not consider the premiums affordable, however, and choose to not continue their coverage however overall the number of Alaska consumers that will be covered is projected to increase. Consumers under 250% FPL will likely choose silver plans with cost share reduction benefits. The Alaska waiver meets the affordability of coverage guardrail because there is no change to the federal definition of affordability, vulnerable populations are not impacted, and aggregate enrollment increases.

¹⁰ Oliver Wyman, *Alaska 1332 Waiver, Actuarial Analysis and Certification*, November 2016, 14.

¹¹ *ibid*, 18.

Scope and Comprehensiveness of coverage

All Alaska individual market plans include the ten EHB as well as state-mandated benefits. None of these benefits will change under the waiver. State-mandated benefits are noted below and at <https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/alaska-ehb-benchmark-plan.pdf>.

Affordable Care Act Essential Health Benefit Category
1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance abuse disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

As noted on <https://www.cms.gov/ccio/resources/Data-Resources/downloads/ak-state-required-benefits.pdf>, Alaska’s mandated benefits are as follows.

Benefit	Name of Required Benefit	Market Applicability	Statutory Authority
Delivery and All Inpatient Services for Maternity Care	Maternity minimum Stay	Individual, small group, large group	AS 21.42.347
Substance Abuse Disorder Outpatient Services	Coverage for treatment of alcoholism or drug abuse	Groups (5 or more covered employees)	AS 21.42.365
Substance Abuse Disorder Inpatient Services	Coverage for treatment of alcoholism or drug abuse	Groups (5 or more covered employees)	AS 21.42.365
Preventive Care/Screening/Immunization	Prostate and cervical cancer detection	Individual, small group, large group	AS 21.42.395
Preventive Care/Screening/Immunization	Colorectal cancer screening	Individual, small group, large group	AS 21.42.377
Preventive Care/Screening/Immunization	Mammograms	Individual, small group, large group	AS 21.42.375
Preventive Care/Screening/Immunization	Well Baby Exams	Individual, small group, large group	AS 21.42.351
Reconstructive Surgery	Reconstructive surgery following mastectomy	Individual, small group, large group	AS 21.42.400
Clinical Trials	Clinical trials for cancer	Individual, small group, large group	AS 21.42.415
Diabetes Care Management	Diabetes	Individual, small group, large group	AS 21.42.390
Inherited Metabolic Disorder - PKU	Phenylketonuria	Individual, small group, large group	AS 21.42.380
Newborn Hearing Screening	Newborn and infant hearing screening	Individual, small group, large group	AS 21.42.349

Federal deficit neutrality

It is expected that the proposed waiver will not result in increased spending, administrative or other expenses to the federal government. It will reduce federal revenues through individual shared responsibility payments, health insurance provider fees, and exchange user fees. The net effect is large and substantial savings to the federal government.

Effect on Federal Operational Considerations

The proposed waiver requests no consideration of any kind for state-specific changes to federally-facilitated exchanges. Nor does it require state-specific modifications of the Internal Revenue Code for administration of the waiver. The waiver requires federal premium tax credit savings be passed through to the state.

10-Year Waiver Budget (Budget Neutrality)

Alaska is proposing federal savings of \$51.6 million in 2018, due to state subsidization of the Alaska Reinsurance Program. Reducing premiums through a waiver scenario results in decreased APTC—large enough to outweigh any possible negative impact on the federal budget. The actuarial analysis projections the total APTC under the waiver and baseline scenarios from 2018–2026. The total projected APTC is 20–22% lower under the waiver scenario starting in 2018. In 2018 the estimated federal APTC savings from the waiver is more than \$51.6 million, and it reaches \$97.5 million in 2026. The economic analysis indicates there are three major drivers for influencing the federal budget; shared responsibility payments, health insurance provider fees, and exchange user fees.

Under the waiver, the APTC will be 20–22% lower, which allows the state to continue funding the ARP, which in turn reduces premiums. Another factor contributing to savings is the expected change in the composition of the individual market they are expected to become increasingly eligible for subsidies over time. This phenomenon is not specific to either the waiver or baseline scenario. It is expected that the proposed waiver will not result in increased spending, administrative or other expenses to the federal government. The net effect is significant savings to the federal government, \$48.9 million in 2018, increasing each year to nearly \$92 million in 2026.

Assuring Compliance, Reducing Waste and Fraud

The Division of Insurance has responsibility for regulating and ensuring compliance and solvency of health insurers, performing market conduct analysis and examinations, investigations, and providing consumer outreach. The Consumer Services section within the Division of Insurance investigates complaints that fall within the division’s regulatory authority.

Alaska Statute 21.55.430 establishes the Alaska comprehensive health insurance fund within the general fund. The Department of Administration shall account for revenue collected by the Division of Insurance, and deposit net proceeds into the Alaska comprehensive health insurance fund. The legislature may use the annual estimated balance in the Alaska comprehensive health insurance fund to make appropriations to the Department of Commerce, Community, and Economic Development to fund the reinsurance program.

The Division of Finance, located in the Department of Administration is tasked with accounting for the state and all departments and divisions, including the Division of Insurance. The state adheres to sound accounting practices. All policies and procedures are detailed in the accounting procedural manual.¹²

The state is audited annually by Certified Public Accountants employed by Legislative Audit. The state utilizes a double-entry accounting system, as well as an Integrated Resource Accounting System (IRIS) for maintaining records. Every transaction is electronically recorded in detail in the statewide accounting system with specific accounting for each grant and contract.

The state prepares annual financial statements and reports annually, and prepares monthly projection reports. The state’s financial statements are audited annually, with the most recent audit completed for fiscal year ending 2015.

¹² <http://doa.alaska.gov/dof/manuals/apm/index.html>

Implementation Timeline and Process

The Division of Insurance has adopted regulations and a plan of operation for the ARP. The Department of Revenue has set up Fund Code 1248 on July 1, 2016. The ARP is fully funded for the state FY2017. The state contends that implementation of the waiver can be done by January 1, 2018. But, the state requests prefunding the waiver at the beginning of federal FY2018, which will allow the division to lobby the state legislature for a state match in the legislative session beginning January 2018.

Should federal revenue streams be in place prior to federal FY2018, the state has the accounting mechanisms in place to receive and spend federal appropriations.

Reporting Responsibilities

Per 45 CFR 155.1308(f)(4) the Alaska Division of Insurance will submit quarterly, annual and cumulative targets for the scope of coverage requirement, the affordability requirement, the comprehensive requirement, and the federal deficit requirement.

As required, Alaska will hold public meetings six months after the proposed waiver is granted and annually thereafter. The date, time, and location of each forum will be posted on the State of Alaska Online Public Notice website. The division will also notify consumer and business advocacy organizations. Each meeting will be conducted at a site that allows both in-person and telephonic attendance to accommodate residents across the state.

Waiver Development Process

As required under 1332(a)(1)(B)(i), the 2016 state legislature passed legislation that authorizes submission and implementation of the proposed waiver. House Bill 374 was signed into law by Governor Bill Walker on July 18, 2016. A copy of the Act can be found in Attachment 1.

The Division of Insurance promulgated regulations concerning the ARP. A copy of the regulations can be found in Attachment 2.

As required in 1332 (a)(4)(B)(i), public hearings are scheduled in accordance with 31 CFR 33.112 and 45 CFR 155.1312, which address the state public notice requirements. Public hearing notices and the written draft proposal were duly posted on the State of Alaska Online Public Notice System, as well as the Division of Insurance webpage on November 22, 2016. The public comment period remains open until December 24, 2016.