

## 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:

<b>A. GRANTEE INFORMATION</b>		
<b>1. Reporting Period End Date</b> Dec 31, 2019	<b>2. Report Due Date</b> Aug 21, 2020	<b>3. Report Submitted On (Date)</b> Jul 20, 2020
<b>4. Federal Agency and Organization Element to Which Report is Submitted</b> Consumer Information & Insurance Oversight		
<b>5. Federal Grant Number Assigned by Federal Agency</b> SIWIW180004-01-00	<b>6a. DUNS Number</b> 809387467	<b>6b. EIN</b> 92-6001185
<b>7. Recipient Organization Name</b> Alaska Department of Commerce, Community and Economic Development		
<b>Address Line 1</b> Division of Insurance		
<b>Address Line 2</b> P.O. Box 110805		
<b>Address Line 3</b>		
<b>City</b> Juneau	<b>State</b> AK	<b>Zip Code</b> 99811
<b>Zip Extension</b> 0805	<b>8. Grant Period Start Date</b> Jan 1, 2018	<b>9. Grant Period End Date</b> Dec 31, 2022
<b>10. Other Attachments (attach other documents as needed or as instructed by the awarding Federal agency)</b>		

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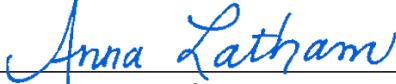
## B. REPORT CERTIFICATION

**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)**

Jul 20, 2020

## C. PROGRESS OF SECTION 1332 WAIVER - General

**12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.**

**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.

**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. It was signed by ADOI but not ACHIA, due to difficulty with the sub-recipient. These corrections were made in the 2020 grant agreement. Amendments were again necessary in 2020 due to the delay between the preliminary numbers and the final pass-through funding determination from CMS and Treasury (the Departments).

**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

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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.

**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 worked with sub-recipient ACHIA to correct the grantee name and number. The conflicting award amount is due to the delay between when ADOI receives the preliminary and final pass-through funding calculation amounts from CMS and Treasury. This was clarified in the amendment, and the federal award date was added. ADOI implemented internal controls to mitigate these inaccuracies, and they were corrected in the 2020 grant agreement process, although an amendment was still necessary to update the final pass-through funding amount once received from the Departments.

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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<b>D. PROGRESS OF SECTION 1332 WAIVER - State-Specific</b>		
<b>14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)</b>		
	<b>Value</b>	<b>Comments (if applicable)</b>
a. Actual individual market enrollment <b>on</b> the Exchange in the state	17,415	January 2019
Actual individual market enrollment <b>off</b> the Exchange in the state	1,269	January 2019
b. Actual average individual market premium rate <b>on</b> 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 <b>off</b> 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. <b>For states with State-based Exchanges</b> , actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year	N/A	N/A
e. <b>For states with State-based Exchanges</b> , 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.**

On March 25, 2020, the Alaska Division of Insurance adopted, as an emergency regulation in response to the Covid-19 pandemic emergency, changes to 3 AAC 31 of the Alaska Administrative Code dealing with covered conditions for Alaska’s Comprehensive Health Insurance Association (ACHIA) Reinsurance Program, adding cardio-respiratory failure and shock as a covered condition. The director added \$6,500,000 to the Alaska Reinsurance Program (ARP) to the total program costs for CY2020 to cover anticipated costs related to the emergency. On 3/27/20, the Departments accepted AK’s request to add a 34th condition to the conditions eligible for the ARP, given the Covid-19 pandemic. ADOI has not yet received the request for funds, so does not have claim information for this condition.

For plan year 2021, the ARP is anticipated to reinsure \$80,000,000.

The payment parameters haven’t changed, but there will be more work for the program administrator as it now needs to divide the funds between the two insurers.

**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	

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c. Amount of any unspent balance of Federal pass-through funding for the reporting year	0	\$189,222 was left in program funding when the draft annual report was submitted 3/24/20. A distribution request totaling that amount came from ACHIA 5/20/20 for eligible claim costs (\$0 administrative costs), which was distributed.
d. Amount of state funding contribution to fully fund the program for the reporting year	0	
<p><b>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.</b></p> <p>For a claims breakout for the top 5 conditions, including settings of care, and the number of enrollees that incurred claims for each HCC, see attachment.</p>		
<p><b>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.</b></p> <p>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.</p>		
<p><b>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.</b></p>		
	<b>Value</b>	<b>Comments (if applicable)</b>
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		

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## 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.

**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:

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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.

**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.**