

Saving the Individual Market in Alaska: The Alaska Reinsurance Program

Presented by:

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Agenda

- ▶ Alaska's Individual Market
- ▶ Alaska's High Risk Pool
- ▶ The Alaska Reinsurance Program
- ▶ Operational Details
- ▶ Current Status

Alaska's Individual Market History

**2014 and
2015**

- **Aetna, Assurant, Moda, Premera, State Farm**

2016

- ~~Aetna, Assurant, Moda, Premera, State Farm~~

**2017 and
2018**

- ~~Aetna, Assurant, Moda, Premera, State Farm~~

Rising Health Insurance Costs

- ▶ Alaska has the highest health care and health insurance costs in the nation
- ▶ Alaska's individual market has approximately 22,000 enrollees
 - ▶ About 18,313 individuals enrolled in the Exchange and 93% of them get a subsidy
 - ▶ 2018 Family of 4 qualify up to \$123,000 vs \$98,400 in lower 48
- ▶ Alaska expanded Medicaid, which now covers 197,900 people (40,400 through expansion)
- ▶ Average cost in Exchange is \$1041 per month in 2016 vs nationwide average of \$476
- ▶ Average subsidy in the Exchange is \$958 per month vs a nationwide average of \$383
- ▶ Premium costs in 2016 went up by over 38% for the two remaining carriers when the other three dropped out
- ▶ Premium costs with one carrier remaining were expected to have gone up by an 42% in 2017 but ended up at 7.3% after the reinsurance program

Source: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/Plan_Selection_ZIP.html

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

The Dilemma



Premiums need to be lower to prevent healthier lives from leaving the market, leading to death spiral

Premiums need to be higher to prevent exit of the one remaining insurer, leading to market collapse



Alaska Comprehensive Health Insurance Association (ACHIA)

- ▶ **High risk pool established in 1992**
- ▶ **Still open, need legislative action to close**
- ▶ **Enrollment reached peak of over 500 enrollees in 2012 (total state population = 737,000)**
- ▶ **Current enrollment around 121**
- ▶ **Top diagnosis ESRD, over half of claims**
- ▶ **52% of enrollees in Medicare plans (Med Supp or carve-out)**
- ▶ **Funded by assessments**
- ▶ **Third-party payment allowed**
- ▶ **Citizenship is not required but must be Alaska resident**
- ▶ **Rates at 125 to 145% SRR, no discount program**

The Alaska Reinsurance Program (ARP)

- ▶ **House Bill 374 introduced by the Governor (I) and passed Republican controlled Legislature in June 2016**
- ▶ **State fiscal environment: AK budget deficit \$3 to \$4 billion**
- ▶ **HB 374:**
 - ▶ **Amended definitions allowing Division of Insurance to establish a reinsurance program for high risk residents**
 - ▶ **Permitted DOI to apply for Section 1332 state innovation waiver**
- ▶ **Reinsurance program funding for 2017- 2018 was appropriated by the Legislature from existing 2.7% premium tax on all insurers (not just health insurers) in Alaska (otherwise goes to General Fund)**
 - ▶ **Original bill funding based on high risk pool assessment - still in place**
- ▶ **\$64 million was collected in 2015 by this tax**
- ▶ **For 2017, \$55 million was allocated to the reinsurance fund to cover claims for high cost insureds in the individual market**
- ▶ **Once passed, Premera filed rates and was approved for 7.3% rate increase (down from estimated 42%) attributed to the new reinsurance program**

How Does It Work?

Consumer Perspective

- ▶ Individuals still purchase their coverage through the existing private carrier(s)
- ▶ Premiums are lower than without this program (in 2017, about 24%)
- ▶ Rates in 2018 were **reduced** from 2017 levels by 22.4%
- ▶ Additional funding matters are all behind the scenes

Carrier Perspective

- ▶ Individual carriers have to cede all risk for certain policyholders retrospectively to the reinsurance pool
- ▶ Carrier is reimbursed for all the claims of a ceded individual
- ▶ All premiums collected for the ceded individual are forwarded to the reinsurance pool
- ▶ Otherwise, the carrier continues traditional administration of the benefit plan

Which Individuals Can Be Ceded?

- ▶ Eligible individuals are identified through the claim process of having one of 33 conditions
- ▶ Conditions were identified through a study of 2015 market claims

	Total
Paid Claims	\$238 million
Claims Removed	\$78 million
Remaining Claims	\$160 million
Percent Remaining	67%
Number of Claimants	30,000
Claimants Removed	1,300
Claimants Remaining	28,700
Percent Remaining	96%

Eligible Condition Categories

- ▶ **Acquired Hemolytic Anemia, Including Hemolytic Disease of Newborn**
- ▶ **Acute Liver Failure/Disease, Including Neonatal Hepatitis**
- ▶ **Amputation Status, Lower Limb/Amputation Complications**
- ▶ **Amyloidosis, Porphyria, and Other Metabolic Disorders**
- ▶ **Amyotrophic Lateral Sclerosis and Other Anterior Horn Cell Disease**
- ▶ **Anorexia/Bulimia Nervosa**
- ▶ **Cerebral Palsy, Except Quadriplegic**
- ▶ **Chronic Hepatitis**
- ▶ **Chronic Pancreatitis**
- ▶ **Coagulation Defects and Other Specified Hematological Disorders**
- ▶ **Cystic Fibrosis**
- ▶ **End Stage Renal Disease**
- ▶ **End Stage Liver Disease**
- ▶ **Hemophilia**
- ▶ **HIV/AIDS**
- ▶ **Inflammatory Bowel Disease**
- ▶ **Intestinal Obstruction**
- ▶ **Lipidoses and Glycogenosis**
- ▶ **Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia**
- ▶ **Metastatic Cancer**
- ▶ **Mucopolysaccharidosis**
- ▶ **Multiple Sclerosis**
- ▶ **Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy**
- ▶ **Non-Hodgkin's Lymphomas and Other Cancers and Tumors**
- ▶ **Paraplegia**
- ▶ **Parkinson's, Huntington's, and Spinocerebellar Disease, and Other Neurodegenerative Disorders**
- ▶ **Premature Newborns, Including Birthweight 2000-2499 Grams**
- ▶ **Quadriplegic Cerebral Palsy**
- ▶ **Rheumatoid Arthritis and Specified Autoimmune Disorders**
- ▶ **Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock**
- ▶ **Sickle Cell Anemia**
- ▶ **Stem Cell, Including Bone Marrow, Transplant Status/Complications**
- ▶ **Thalassemia Major**

Operational Details

- ▶ **ACHIA serves as the reinsurance entity**
- ▶ **Detailed plan of operations address program administration and accounting**
- ▶ **Carriers are required to cede claims of eligible high risk residents to the program**
- ▶ **ACHIA reimburses carrier quarterly for ceded claims**
- ▶ **Claims and expenses are paid from premium and then from the \$55 million**
- ▶ **If claims are expected to exceed available funds, a proportional payment will be made to carriers**
- ▶ **There will be an annual true-up of claims and risk adjustment transfers**

Annual True-Ups

Claim True-Up

- Between April 15 and June 15 of each year
- True-ups for:
 - Crediting of premium and non-premium revenue received after the end of the benefit year
 - Retroactive reductions necessary to prevent a deficit for the benefit year
 - Retroactive increases necessary to ensure each claim for reimbursement is reimbursed proportionately (if more than one carrier in the market)

Risk Adjustment True-Up

- Between June 30 and August 15 following any year in which there was more than one carrier in the individual market
- True up will require a recalculation of the federal risk adjustment transfers to account for the impact of removing ceded risks who were not the financial responsibility of the ceding carrier

Initial Implimentation

- ▶ Regulations were written and approved
- ▶ A plan of operations was approved by the ACHIA board
- ▶ Program was implemented January 1, 2017
- ▶ In November 2016, the state requested a Sec 1332 State Innovation Waiver and which was approved authorizing \$322 million over the period 2018 to 2022
- ▶ The reduction in the premium increase from 42% to 7.3% in 2017 was estimated to have saved the federal government \$51.6 million in Advance Premium Tax Credits for 2018
- ▶ Alaska requested that amount be passed through to the state
- ▶ Waiver was approved and became effective for 2018

Current Status

- ▶ A follow-up study based on 2016 claims was done in early 2017 with respect to the conditions
- ▶ Many conditions not on the original list had large claims
- ▶ 18 conditions not on the list had claims in excess of \$100,000 per enrollee
- ▶ Only 9 conditions on the list had claims in excess of \$100,000 per enrollee
- ▶ A new study based on 2017 is now underway
- ▶ 813 individuals were ceded into the pool or about 4%
- ▶ Original 33 conditions hard coded in regulation
- ▶ More flexibility could be achieved by putting in the Plan of Operation

Current Status

- ▶ Even though the list probably needs to be revised - \$5.8 million of the \$55 million remains after fourth quarter
- ▶ These numbers do not include IBNR (runout claims)
- ▶ Good chance we will use the full \$55 million with an estimated shortfall of \$3.2 million
- ▶ For 2018, Alaska will pay in \$11 million while CCIIO just notified us that they will put in an estimated \$58,484,978 subject to final administrative determination
- ▶ By 2022, Alaska will be paying in \$14 million
- ▶ Ironically, individual market claims ended up at a ten-year low in 2017, resulting in a \$25 million contribution to the state's reinsurance program from Premera

Questions?

- ▶ Email address is oakoffice1@cox.net