

**Estimate of Costs to the State of Alaska for Implementation of the Voter Initiative:
Quality Health Insurance for Alaskans Act of 2018 (17QHIA)**

Multi Agency Cost Summary

Agency	Cost
Department of Commerce, Community, and Economic Development, Division of Insurance	\$13,500 - \$304,471,090
Office of the Lieutenant Governor	\$9,000
Office of the Lieutenant Governor, Division of Elections	\$49,685
TOTAL	\$72,185 - \$304,529,775

Estimate of Costs to the Department of Commerce, Community, and Economic Development -- Division of Insurance to Implement the Ballot Initiative

As required by AS 15.45.090(a)(4), the Alaska Department of Commerce, Community, and Economic Development has prepared the following statement of costs to implement the proposed ballot initiative. If approved, the initiative would take effect 90 days following election certification.

I. ACA Remains Law Scenario¹ Cost Impact Estimate

Personal Services	\$8,000
Services (Department of Law)	\$4,500
Services (advertising notice)	\$1,000
TOTAL	\$13,500

II. ACA Repealed Scenario Cost Impact Estimate

<u>Capital (one-time cost)</u>	
Establish State-based Exchange	\$6,000,000 ²
Initial Office Equipment (55 positions @ \$6,000)	\$330,000
TOTAL CAPITAL	\$6,330,000

<u>Operating (annual cost)</u>	
Personal Services	\$4,485,433
Travel	\$20,000
Services	\$4,851,125
Commodities	\$50,000
Grants (income-based assistance – tax credit replacement)	\$223,698,415

¹ The intent of the initiative is unclear regarding whether the State of Alaska would be required to establish and operate a state-based exchange even if the ACA remains law. If the intent of the initiative is that the State of Alaska would establish and operate an exchange regardless of the ACA's status, the capital and operating costs (less the grant costs) would apply to the scenario in which the ACA remains law.

² The state-based exchange cost has a large range depending on the system needs for integration with Medicaid eligibility and needs for specialized platforms, mobile enrollment features and other contingencies. This cost estimate is based on customizing a basic system and using shared code implemented by another state.

Grant (incomes-based assistance – cost share reduction replacement)	\$16,000,000
Grants (AK reinsurance program – federal pass through fund replacement)	\$48,362,287
<u>Grants (navigator/outreach assistance)</u>	<u>\$600,000</u>
TOTAL OPERATING	\$298,141,090

Overview

This ballot initiative establishes several state minimum standards for health insurance in Alaska. Many of the standards are already in place under federal requirements through the Patient Protection and Affordable Care Act of 2010 (“ACA”; Public Law 111-148). Consequently, if the ACA remains law, then the impact of the ballot initiative is relatively insignificant. The initiative is unclear regarding whether the State of Alaska would be required to establish and operate a state based exchange regardless of whether the ACA remains law, but the intent appears to be to maintain the current level of health care insurance accessibility and affordability as required by the ACA. Consequently, the following analysis is based on the assumption that a state-based exchange would not be mandated as long as the ACA and the federally-facilitated marketplace exchange option remain in place.

While significant efforts to repeal and replace the ACA have currently stalled, this initiative is aimed at establishing state laws to mirror key aspects of the existing federal law. If the ACA is repealed or significantly amended in the future, this initiative would create significant financial and other challenges for the State of Alaska. For example, if the ACA is repealed, the State of Alaska could reasonably be expected to shoulder the expenses of establishing and operating an exchange to allow consumers to access and sign up for affordable health care insurance plans. For these reasons, the cost impact estimate is bifurcated to reflect a scenario where the ACA remains in place and a scenario where the ACA is repealed. There are factors that could possibly occur under the scenario where the ACA remains law, such as federal cancellation of Alaska’s ACA Section 1332 waiver and associated federal funding, which are not included in the associated cost estimate. As the primary driver for the initiative appears to be concerns about repeal of the ACA, this scenario may be a more valid analysis of cost impacts.

Details for ACA Repealed Scenario Estimate

The initiative specifically calls for the State of Alaska to provide “income based assistance that makes the cost of coverage affordable to middle- and low-income residents.” It is noteworthy that costs for income based assistance are expected to increase dramatically over the next five years. Under the scenario where the ACA is repealed, the potential costs to the State of Alaska associated with this ballot initiative are extremely high. If the ballot initiative passes and the ACA remains law, the financial concerns associated with a future ACA repeal will continue to be significant potential liabilities for the State of Alaska.

APTC & CSR Funding

In its *2017 Effectuated Enrollment Snapshot*³ report, the Centers for Medicare & Medicaid Services identified that 13,128 Alaskans were eligible for federal Advance Premium Tax Credits (APTC) under the ACA with an average monthly credit of \$975.74. This amounts to \$153.7 million for 2017 that the State of Alaska would have to pay under the initiative to keep health care insurance premiums affordable for Alaskans earning less than 400 percent of the federal poverty level (FPL). An actuarial analysis by Oliver Wyman⁴ indicates that APTCs will continue to rise in Alaska. The APTCs are projected to increase to \$182.3 million in 2018 and will continue increasing to \$272.5 million in 2022. While the initiative does not specify the meaning of “middle- and low-income” or “affordable coverage,” the current standards under the ACA also call for federal reimbursements for cost sharing reductions (CSRs) to insurance companies for individuals earning less than 250 percent of the FPL; federal CSR payments for Alaska are estimated at \$9.5 million for 2017. The initiative’s intent is unclear related to the broad goal of making affordable health care insurance coverage accessible for “people of all income levels,” so this cost estimate does not include amounts for subsidizing Alaskans with incomes above 400 percent of the FPL. However, this is the income group that currently experiences significant difficulties accessing affordable coverage in Alaska’s individual market.

Medicaid Expansion Impact⁵

If the ACA is repealed, there will be a significant number of individuals currently covered by Medicaid Expansion in Alaska who will return to the individual market. Under the ballot initiative, the State of Alaska will be responsible to provide assistance to keep premiums affordable. If just 10 percent of the 35,390 Alaskans covered under Medicaid Expansion, according to the July 31, 2017, report from the Alaska Department of Health and Social Services,⁶ pursue health care insurance coverage through the individual market, the State of Alaska would be responsible for an additional \$41.4 million to cover the average APTC assistance for 2017 ($\$975.74 \times 3,539 \times 12$ months). The total CSR payment for 2015 (prior to Medicaid Expansion) in Alaska was approximately \$16 million according to Medical Loss Ratio Reports.⁷ The portion of CSR payments associated with the Medicaid Expansion group are estimated to be \$6.5 million after subtracting the \$9.5 million CSR estimate for current individual market enrollees.

³ <https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf>

⁴ See Attachment #3 to Alaska’s 1332 Waiver Application at: <https://www.commerce.alaska.gov/web/Portals/11/Pub/Headlines/Alaska%201332%20State%20Innovation%20Waiver%20June%202015%202017.pdf?ver=2017-06-26-091456-033>

⁵ If passed, the “Healthcare for Alaskans Act of 2018” ballot initiative to maintain Medicaid eligibility at 2017 levels would help ensure that Medicaid Expansion enrollees continue to be eligible for Medicaid. See at: <http://elections.alaska.gov/petitions/17HCAK/Bill.pdf>

⁶ <http://dhss.alaska.gov/HealthyAlaska/Pages/dashboard.aspx>

⁷ See reports for Premera and Moda (Part 3, Line 8, Column E) at: https://www.cms.gov/apps/mlr/mlr-search.aspx#/?state=AK&reporting_year=2015

Alaska Reinsurance Program Impact

The Alaska Reinsurance Program (ARP) was established through Alaska law in 2016 and primarily funded through a Section 1332 waiver approved in 2017 under the ACA to provide federal funding to reinsure insurer coverage of 33 identified health conditions known to have high costs. The ARP helped to stabilize the Alaska market, reduced premium cost increases in the individual market, and reduced APTC liability for the federal government. The federal savings are to be passed through to the State of Alaska as the primary funding source for the ARP. Without the ARP, Alaska's individual market was expected to experience large premium cost increases, which would have reduced health care insurance affordability and threatened continuing participation of the only remaining insurer. If the ACA were repealed, the State of Alaska would need to replace the federal funding designated for the ARP. Federal funding for the ARP is estimated at \$48.4 million in 2018 and is estimated to increase to \$75.9 million in 2022. It is also possible that the federal government could rescind the 1332 waiver as a result of the statutory changes proposed in the ballot initiative even if the ACA is not repealed or amended. If the ARP was not funded, Alaska could lose the one remaining insurer in the individual market, which would result in even greater financial impact to maintain the current degree of affordability, because the State of Alaska would have to develop and administer an insurance program to provide access to affordable health care insurance coverage.

State-based Exchange Impact

If the ACA was repealed, the initiative would require the State of Alaska to establish a state-based exchange to ensure continued accessibility to affordable health care insurance plans. Most states with similar populations to Alaska, have not established state-based health care insurance exchanges and instead opted to use federally facilitated exchanges. States that did establish their own exchanges averaged more than \$100 million in federal grant funds to do so as illustrated in the *Federal Funding for Health Insurance Exchanges*⁸ report by the Congressional Research Service. A detailed cost analysis for developing a state-based exchange in Alaska would be expensive and time consuming project on its own. The cost estimate of \$6 million for development is based on using shared code established for another state with adjustments to meet Alaska's market needs. This is a very conservative estimate given Alaska's geography, infrastructure capacity and health care insurance market circumstances.

Navigator/Outreach Impact

Under the ACA, organizations receive grants for "navigators" and "outreach and enrollment assisters" to assist consumers with obtaining health care insurance through the exchanges. To maintain this degree of accessibility upon ACA repeal, the State of Alaska would need to fund similar grants or expand state infrastructure and personnel to meet the needs. Based on the assumption that the most cost-effective approach is to maintain a similar grant program, the State of Alaska would assume annual expenses of approximately \$600,000.⁹ In addition to customer service

⁸ <https://fas.org/sgp/crs/misc/R43066.pdf>

⁹ See <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/Downloads/Navigator-Grantee-Summaries-2016.pdf>

navigators and outreach workers to provide general assistance, the State of Alaska would need a dedicated full-time staff to handle enrollment issues, benefits issues, information technology maintenance, administration and coordination of exchange functions.

Health Care Insurance Exchange Operations/Administration Impact

Positions (Salary and Benefits)

Division Director	\$ 179,800
Admin. Officer II	\$ 119,281
Regulation Specialist II	\$ 88,589
Administrative Assistant I	\$ 71,610
Accounting Technician I (3)	\$ 214,830
Accounting Technician II	\$ 85,038
Accounting Technician III	\$ 88,589
Office Assistant II	\$ 66,100
Qualified Health Program Specialist (2)	\$ 210,138
Program Coordinator II	\$ 117,428
Benefit Technicians (35)	\$ 2,976,330
DP Manager II	\$ 139,156
DP Manager I	\$ 126,389
Analyst Programmer V	\$ 139,156
Analyst Programmer IV	\$ 111,433
Analyst Programmer III	\$ 105,069
Total Pre-vacancy	\$ 4,838,936
Less, 5% vacancy	(\$ 241,947)
Personal Services Cost (Est.)	\$ 4,596,989

The staffing needs for the exchange are based on a combination of comparisons with exchanges operated by Colorado and Arkansas and the FY 2018 budget for the Alaska Permanent Fund Division (PFD), which has similar database, enrollment, and other functions to those anticipated for a health care insurance exchange. Travel, commodities and services costs are also based on the FY 2018 PFD budget, except for certain costs for fraud investigations and significant estimated costs for maintenance and software licensing associated with the online health care insurance exchange system.

Other Financial Impact Factors

This initiative appears to be in reaction to Congressional ACA repeal and replacement efforts. However, any changes to the ACA are likely to have extended effective dates, so the actual financial impact may not be realized until following years. If the ACA remains in place, the proposed changes to Alaska law are arguably unnecessary and premature.

The ballot initiative does not establish an individual health care insurance coverage mandate. If the ACA's individual mandate is repealed, healthy Alaskans are less likely to purchase coverage and costs

to cover the unhealthy enrollees may increase to unsustainable levels; this would leave the State of Alaska with even greater financial responsibilities to subsidize affordable coverage. It is possible that the ballot initiative could degrade market conditions to the point where there were no options for private health care insurance coverage through the individual market in Alaska. If this occurred, the State of Alaska may be required by the initiative to provide direct access to affordable health care insurance. For example, with an estimated 23,339¹⁰ covered lives in the individual market, the annual benefit cost would be approximately \$291.6 million using \$1,041 average monthly premium for Alaska's individual health care insurance market in 2017.¹¹

Sectional Analysis with Duplications of Existing Standards

Section 1: Findings and Purpose

The findings and purpose are a duplication of the current ACA and Health Insurance Portability and Accountability Act (HIPAA) requirements along with state laws (AS 21.54.110, AS 21.36.430, AS 21.36.090) that cover certain aspects.

Section 2: AS 21 amended to add chapter 98 - Individual and Group Health Insurance Reforms

Sec. 21.98.010 - Guaranteed Issuance of Coverage

- Subsection (a) prohibits a health care insurer from denying coverage.
 - This provision duplicates provisions of the ACA and HIPAA along with AS 21.54.110. The national level political posture is currently supportive of ensuring coverage for individuals with pre-existing conditions.
- Subsection (b) allows a health care insurer to restrict enrollment to open and special enrollment periods and requires the director of the Division of Insurance to establish monthly special enrollment periods through a state-based exchange for American Indians and Alaska Natives.
 - These provisions duplicate the existing ACA and Indian Health Care Act (IHCA) requirements.
- Paragraph (c)(i) allows a health care insurer to limit employer participation in the group market based on their network plan's service area and paragraph (c)(ii) allows an insurer in the individual or group market to deny coverage within the network service area if based on the insurer's insufficient capacity for reasons that are not discriminatory or based on health status.
 - 42 U.S.C. 300gg-1(c) is a related provision in the group and individual market and AS 21.56.160 is a related provision in the small group market.
 - Alaska law prohibits unfair discrimination generally under AS 21.36.090 and specifically for the group market under AS 21.54.100.

¹⁰ This number includes an estimated 15,500 Alaskans who purchase coverage on the exchange, 1,200 who purchase coverage off exchange, 1,800 who purchase grandfathered plans, 1,300 who purchase transitional plans and 3,539 Alaskans who would move to the individual market from Medicaid Expansion if the ACA is repealed and the Healthcare for Alaskans Act of 2018 ballot initiative is not passed.

¹¹ *Individual Market Premium Changes: 2013 – 2017* (p. 4), by U.S. Department of Health and Human Services at: <https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf>

- Subsection (d) allows a health care insurer to deny coverage in the group or individual market based on a demonstrated lack of financial reserves to underwrite additional coverage and non-discriminatory factors unrelated to health status factors.
 - 42 U.S.C. 300g-1(d) is a related provision in the group and individual market and AS 21.56.160 is a related provision in the small group market.
- Subsection (e) prohibits an insurer that denies coverage under section (c)(ii) or (d) from offering coverage in the individual or group market for 180 days.
 - AS 21.56.160(c), related to the small group market, currently provides that a small employer who denies coverage in a service area due to lack of capacity may not offer coverage in the service area in the small group market for a period of 180 days after the date the coverage is denied. The federal statute applies this prohibition to both the group and individual markets.
 - AS 21.56.160(d) currently provides that if a small employer demonstrates or the director determines under AS 21.09.175 that it does not have the financial reserves necessary to underwrite additional coverage, the small employer may not offer or renew coverage in the small employer group market and may not reenter the market until the director has determined the insurer has sufficient financial reserves.
 - The federal statute provides that an insurer denying coverage in connection with group health plans due to lack of financial reserves may not offer coverage in connection with group health plans in the group or individual market for a period of 180 days or until the issuer has demonstrated to the applicable state authority, if required under state law, that the issuer has sufficient financial reserves to underwrite additional coverage (whichever period is longer). An applicable state authority may provide for the application of this subsection on a service-area specific basis. Like the current federal statute, the initiative language limits the director's flexibility and may not be the ideal manner for resolving financial solvency issues.

Sec. 21.98.020 – Guaranteed Renewal of Coverage

- Subsection (a) requires an insurer to renew health insurance coverage in the individual or group market subject to the conditions in (b).
- Subsection (b) allows an insurer to not renew health insurance coverage in the individual or group market based on an exception in the current ACA.
 - These sections are duplications of existing federal law under the ACA and HIPAA; AS 21.51.400 requires guaranteed coverage renewal in accordance with referenced HIPAA standards and AS 21.54.130 contains requirements for guaranteed renewal by group market insurers, which also require a 180-day notice of coverage discontinuation.

Sec. 21.98.030 – Prohibition on Preexisting Condition Exclusions & Discrimination

- Subsection (a) restricts a health care insurer in the individual or group market from imposing any preexisting condition exclusions.

- This provision duplicates certain provisions of the ACA, HIPAA and AS 21.54.110. However, the ACA does not allow preexisting condition exclusions. HIPAA and state law allow pre-existing condition exclusions. For group plans, such exclusions are limited to conditions identified within 6 months of enrollment and the exclusion must not last for more than 12 months. The national level political posture is currently supportive of ensuring coverage for people with pre-existing conditions.
- Subsection (b) defines “preexisting condition” to include any condition a person has prior to enrollment regardless of whether the person had received medical services for the condition.
 - AS 21.54.110 restricts pre-existing condition exclusions related to pregnancy and to other conditions within certain time frames. Similar protection is also provided by the ACA under 42 U.S.C. 300gg-3 and HIPAA under 29 USC 1181.

Sec. 21.98.040 – Dependent Coverage to Age 26

- Subsection (a) requires an insurer to continue dependent coverage for children up to age 26 regardless of marital or employment status, financial dependency, residency in a network service area, eligibility for other coverage, or any combination of these factors.
 - These provisions are currently required by the ACA and have strong political support at the national level.
- Subsection (b) prohibits variations in dependent child coverage based on age.
 - This provision may conflict with ACA essential health benefit provisions or state mandated benefits that require coverage for young children (e.g. newborn care and pediatric services).

Sec 21.98.050 – Guaranteed Essential Health Benefits

- Subsection (a) requires that a health care insurer in the individual and small group markets provide coverage for essential health benefits (EHBs) defined in (b) and in compliance with the current federal Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) and ACA provisions.
 - This provision duplicates existing ACA and MHPAEA requirements, except that “grandmothered” or transitional health insurance policies under the ACA are not addressed. The ballot initiative excludes grandfathered plans under Sec. 21.98.110 to match existing ACA standards, but does not clarify that grandmothered plans may be excluded from EHB coverage.
- Subsection (b) defines ten minimum EHBs established under the current ACA and in compliance with the MHPAEA and allows the Secretary (commissioner) of Health and Social Services (HSS) to define additional essential health benefits.
 - This provision defines EHBs under existing ACA standards, but also allows the HSS commissioner to unilaterally add mandated benefits to health insurance plans in Alaska. The ACA currently mandates that costs for additional essential health benefits required by a state must be paid by the state for individuals enrolled in a plan offered through an

exchange (42 U.S.C. 18031(d)(3)(B)(ii)). If the ACA is repealed, the costs for any additional essential health benefits would be borne by market participants.

- Subsection (c) requires that a health care insurer must offer a child-only plan with the same coverage for individuals under the age of 21.
 - Currently required under the ACA.
- Subsection (d) allows stand-alone dental plans if coverage for pediatric dental services as required in (b) are covered.
 - Currently in the ACA.
- Subsection (e) stipulates that higher state coverage requirements for essential health benefits are not superseded and that AS 21.07.020 and AS 21.42 remain in effect.
 - If the ACA is not repealed, this provision may not be enforceable due to preemption of state law.

Sec 21.98.060 – Limits on Out of Pocket Expenses

- Subsection (a) sets the maximums for annual cost sharing (co-pay, coinsurance, deductible, etc.) at the current ACA threshold as of 1/1/2017 and in compliance with MHPAEA in effect 1/1/2017.
 - This provision currently duplicates the current ACA. If the ACA is repealed, the regulations used to adjust annual cost sharing maximums will no longer be in effect. If the cost sharing maximums are not adjusted for inflation, premium costs will increase for covered participants.
- Subsection (b) requires the State of Alaska to preserve the individual health care insurance market and access to affordable coverage for all and to provide income based assistance to make coverage affordable to middle- and low-income individuals.
 - In the event of ACA repeal, this provision transfers federal obligations under the ACA to the State of Alaska. The term “affordable” is not defined. If the intent is to maintain the level of affordability allowed by ACA and the ACA is repealed, the State of Alaska will experience significant costs to maintain affordable health care insurance coverage. **The estimated cost to the state to fund the premium tax credits and cost sharing reductions under the current ACA is estimated at \$191,760,689 for 2018 and these costs are projected to rise by approximately 10 percent annually.** If the ACA is repealed, the State of Alaska would have obligations to replace federal funding for the Alaska Reinsurance Program and to provide subsidies for Medicaid Expansion enrollees who enroll in the individual market.
- Subsection (c) defines “essential health benefits” as used in this section to mean those benefits described in AS 21.98.050.

Sec 21.98.070 – No Lifetime or Annual Limits

- Subsection (a) prohibits an insurer in the group or individual market from establishing annual or lifetime limits on the dollar value of essential health benefits regardless of in-network or out-of-network status of providers.

- This provision is a duplication of existing ACA standards and expands the requirement to grandfathered individual plans. Currently, there is strong political support for this provision at the national level, so it is unlikely to be repealed. Under the ACA, insurers are allowed to place annual limits on the number of visits for particular types of medical services and this would continue under the proposed initiative.
- Subsection (b) defines “essential health benefits” as used in this section to mean those benefits described in AS 21.98.050.

Sec 21.98.080 – No Cost Sharing for Preventive Services

- Subsection (a) requires a health care insurer in the individual or group market to provide coverage for specified preventive health care services without cost sharing.
 - This provision is a duplication of ACA requirements when services are in-network with the exception of the aspect of the provision that allows additional preventive coverage to be designated by the commissioner of HSS. Unlike the ACA, the ballot initiative does not specify whether preventive services received from a non-network provider must be covered without a cost-sharing requirement. The ACA currently stipulates that the State of Alaska would have to pay for additional preventive coverage mandates, so cost impacts could be significant.
- Subsection (b) provides allowance for a health care insurer to exceed preventive care coverage minimums.
- Subsection (c) provides a one year effective date grace period from the date that a “relevant recommendation or guideline is issued.”
 - This provision is consistent with the ACA which allows insurers one year from the date of recommendation to add coverage to a health plan upon renewal (e.g. if the US preventive services task force changes a recommendation from a “c” to a “b”, insurers do not have to cover the service until the plan year beginning one year following the recommendation change).
- Subsection (d) authorizes the director to adopt by regulation a religious accommodation exemption that is no broader than necessary to avoid the infringement of constitutional rights.

Sec 21.98.090 – Rating Restrictions

- Subsection (a) sets limits on rate variations for a health care insurer in the group or individual markets (individual/family; geographic area; age rating 3:1 maximum; tobacco use).
 - This provision duplicates existing ACA requirements. If the ACA is repealed, the State of Alaska would be restricted under this provision from establishing a more actuarially accurate age rating ratio such as 5:1. The 3:1 age rating limitation discriminates against younger participants by charging them higher rates not supported by actuarial science.
- Subsection (b) requires the director to establish regulations for geographic rating areas and age bands for rating purposes.

- This provision duplicates existing ACA standards and responsibilities held by the federal government and creates additional responsibilities for the State of Alaska.
- Subsection (c) limits rating variations for family members based on the portion of premium attributable to each family member.
 - This provision duplicates existing ACA limitations.
- Subsection (d) stipulates that the established rating restrictions shall also apply to a health care insurer offering coverage in the large group market through a state exchange.
 - The ACA currently has exchange platforms for the individual market and the small group market (SHOP), but does not currently provide exchange access for the large group market. If this provision is to be interpreted to mean that the State of Alaska must establish a state-based exchange that includes the large group market, it would result in additional financial responsibilities for the state. As the ACA does not currently include large group employers on the exchanges, this provision is viewed as a conditional rating restriction standard *if* the state ever did allow an insurer to offer large group coverage through a state-based exchange.

Sec 21.98.100 – Transparency

- This section requires health plans and health insurers to provide enrollees with an accurate summary of benefits and coverage explanation in accordance with current federal law.
 - This provision duplicates existing federal requirements under the ACA. The terminology in this provision is inconsistent with existing Alaska law. Instead of “health plan” and “health insurer,” Alaska law uses the following terminology defined under AS 21.54.500: “health care insurance plan” and “health care insurer.”

Sec 21.98.110 – Grandfathered Health Plan Coverage

- Subsection (a) defines “grandfathered health plan coverage” to match federal regulations under 45 CFR 147.140 as of 1/1/2017.
 - This provision is a duplication of federal standards. The provision does not define grandmothers or transitional plans, so these plans have not been considered for compliance exclusions similar to the ACA.
- Subsection (b) provides exclusions from proposed ballot initiative sections for grandfathered plan coverage in the individual market.
 - This provision conflicts with HIPAA and AS 21.51.400 requirements for renewable coverage in the individual health care insurance market. This provision also conflicts with ACA allowances for grandfathered individual market plans to maintain lifetime limits on the dollar value of benefits.
- Subsection (c) provides exclusions from proposed ballot initiative sections for grandfathered plan coverage in the group market.
 - This provision conflicts with HIPAA, AS 21.54.130 and AS 21.54.140 requirements for guaranteed issue and renewability in the group health care insurance market.

Sec 21.98.120 – Definitions

- This section defines terms.
 - Most of the proposed definitions are duplicated in existing Alaska law, however the following definitions are confusing or inconsistent with current definitions in Alaska law:
 - The proposed definition for “group health insurance coverage” under paragraph (5) is confusing and does not mesh with current definitions for “group market” and “health care insurance plan” under AS 21.54.500 and could be broadly interpreted to include limited benefit plans for dental, vision, disability income, accidental death and dismemberment, cancer, etc.
 - The proposed definition for “group health plan” under paragraph (6) would be clearer if replaced with the definition for “health care insurance plan” in the group market under AS 21.54.500(15).
 - The proposed definition for “health insurance coverage” under paragraph (9) uses the undefined phrase “hospital or medical service policy” and potentially leaves out other types of health care insurance products, such as a contract with a network of preferred medical providers, or it may include more types of plans than is intended. It is possible that “medical service policy” could be defined by regulation to limit the applicability to health care insurance plans.
 - The proposed definition for “individual health insurance coverage” under paragraph (11) could be broadly interpreted to include limited benefit plans.
 - The proposed definition for “plan” and “health plan” under paragraph (16) conflicts with the stand alone dental plan provision under Sec 21.98.050(d) and does not exempt limited benefit plans under the proposed requirements.
 - The definitions section does not include definitions for "affordable," "low-income residents," or "middle-income residents."

Sec 21.98.130 – Repeal of Conflicting State Law

- This section repeals any state laws or portions of state laws in conflict with the proposed Act.
 - This provision is overly broad and is expected to result in unintended consequences and uncertainty for Alaska’s health care insurance markets.

Section 3: Amendments to AS 21

Section 3.1

Sec 21.51.020 – Scope, Format of Policy

- This section makes a technical adjustment to the maximum age for children to be covered by a policy holder.
 - The end result is the same; children may be covered on their parent’s policy up to age 26. This provision duplicates the ACA.

Section 3.2

Sec 21.51.250 – Illegal Occupation

- This section excludes coverage required under the proposed ballot initiative from the existing exclusion of a health care insurer’s liability to cover losses resulting from the covered person’s commission or intent to commit a felony or engagement in an illegal occupation.
 - This provision is expected to result in increased cost for health care insurance.

Section 3.3

Sec 21.51.260 – Intoxicants and Narcotics

- This section excludes coverage required under the proposed ballot initiative from the existing exclusion of a health care insurer’s liability to cover losses caused by the covered person being intoxicated or under the influence of a narcotic (unless administered on the advice of a physician).
 - This provision is expected to result in increased cost for health care insurance

Section 3.4

Sec 21.51.405 – Rate Requirements; Filings; Regulations

- This section restricts health insurance rate variations to the factors described in the proposed ballot initiative under Sec. 21.98.090.
 - This provision may create inconsistencies with group market ratings, unless similar limitations on rating variations are applied to AS 21.54.015(a).

Section 3.5

Sec 21.56.120 – Premium Rate Restrictions; Disclosures; Reports; Confidentiality

- This section adopts ACA health care insurance premium rate requirements for the small group market.
 - This provision duplicates ACA requirements.

Section 3.6

Sec 21.87.340 – Other Provisions Applicable

- This section applies the proposed ballot initiative Act (AS 21.98) requirements to hospital and medical services corporations.
 - This provision is necessary due to AS 21.87.030 which excludes hospital and medical service corporations from AS 21 unless contained or referred to in AS 21.87

Section 3.7

Sec 21.51.270 – Renewal at Option of Insurer

Sec 21.54.110 – Preexisting Condition Exclusions

Sec 21.56.160 – Exemption from Required Offer of Coverage

- These sections are proposed to be repealed.

- The repeal of AS 21.51.270, will impact limited benefit plans, which are otherwise not subject to ACA, HIPAA and AS 21.51.400 requirements for guaranteed renewal. Insurers may choose to leave the Alaska market resulting in disruptions for limited benefit plan coverages such as dental, vision, disability income, etc.
- The repeal of AS 21.54.110 would make prohibitions against preexisting condition exclusions consistent with the proposed ballot initiative under Sec 21.98.030.
- The repeal of AS 21.56.160 would eliminate the exemption from offer of coverage requirements, which would be consistent with the proposed ballot initiative prohibitions on preexisting condition exclusions under Sec 21.98.010.

Estimate of Costs to the Office of the Lieutenant Governor and the Division of Elections for the Ballot Initiative

As required by AS 15.45.090(a)(3), the Alaska Office of the Lieutenant Governor has prepared the following statement of minimum costs associated with the proposed ballot initiative. If approved, the initiative would take effect 90 days following election certification.

Office of the Lieutenant Governor

Assuming the initiative is placed on the ballot, the minimum cost to conduct public hearings concerning the initiative in two communities in each of four judicial districts is estimated to be \$9,000.

Estimate by Category

Travel	\$ 9,000
TOTAL	\$ 9,000

Travel: Estimated travel expenses include round-trip air transportation, per diem and other associated travel costs for the Lieutenant Governor and staff to travel to seven communities in Alaska. It is assumed one of the hearings would be in Anchorage which would not involve travel costs.

Division of Elections

As required by AS 15.45.090(a)(3), the Division of Elections has prepared the following statement of costs to implement the proposed ballot initiative.

The minimum cost to the Division of Elections associated with certification of the initiative application and review of the initiative petition, excluding legal costs to the state and the costs to the state of any challenge to the validity of the petition, is estimated to be \$49,685.

Estimate by Category

Personal Services	\$48,385
Printing Services	\$1,300
TOTAL	\$49,685

Personal Services: Six temporary employees to review signatures for 2,520 hours.
Estimated cost: \$30,618

Certification of the initiative application and review of the initiative petition estimated for 546 hours
Estimated cost: \$17,767

Printing Services: Expenses associated with certification of the initiative application and review of initiative petition. Printing of voter booklets: \$1,300