

## **Alaska: State Innovation Waiver under section 1332 of the PPACA**

*July 11, 2017*

The U.S. Department of Health and Human Services and the U.S. Department of the Treasury (the Departments) approved Alaska's application for a State Innovation Waiver under section 1332 of the Patient Protection and Affordable Care Act (PPACA) (the waiver). Alaska's application seeks to implement the Alaska Reinsurance Program (ARP) for 2018 and future years. As a result of the waiver approval, more consumers in Alaska may have coverage, consumers will see lower premiums, and the State will receive federal funds to cover a substantial portion of State costs for the ARP.

Alaska's State Innovation Waiver under section 1332 of the PPACA is approved subject to the State accepting the specific terms and conditions (STCs). This approval is effective for January 1, 2018, through December 31, 2022.

### ***Summary of Alaska's State Innovation Waiver under section 1332 of the PPACA Application***

Alaska's application for a State Innovation Waiver under section 1332 of the PPACA seeks to waive section 1312(c)(1) of the PPACA, the requirement to consider all enrollees in a market to be part of a single risk pool, to the extent it would otherwise require excluding total expected State reinsurance payments when establishing the market-wide index rate in order to implement the ARP for 2018 and future years. Specifically, the ARP is a state-operated reinsurance program which covers claims in the individual market for individuals with one or more of 33 identified high cost conditions to help stabilize premiums. The ARP is administered by the state of Alaska and the Alaska Comprehensive Health Insurance Association (ACHIA).

As a result of the waiver approval, more consumers in Alaska may have coverage, consumers will see lower premiums, and the state will receive pass-through funding to help offset a substantial portion of state costs for the state-operated reinsurance program. Alaska projects that under the ARP and 1332 waiver, premiums will be 20 percent lower in 2018 than they would be without the waiver. In addition, Alaska predicts that an average of 1,460 additional individuals will have health insurance coverage due to the lower cost of healthcare through stabilization of the individual market. These projections were certified by independent actuaries and reviewed by the Departments. Alaska is waiving section 1312(c)(1) of the PPACA to the extent that it would otherwise require excluding total expected state reinsurance payments when establishing the market-wide index rate for the purposes described in the State's application.

Because the ARP will lower premiums, the second lowest cost silver plan premium is reduced, resulting in the Federal government spending less in premium tax credits. As such, the State shall receive pass-through funding based on the amount of premium tax credits (PTC) that would have been provided to individuals under section 36B of the Internal Revenue Code in the State of Alaska absent the waiver, but will not be provided under the waiver, while considering all Federal revenue. As required by Federal law, Alaska's 1332 waiver will not increase the Federal deficit.

The Departments have determined that Alaska's application for a State Innovation Waiver under section 1332 of the PPACA meets the requirements outlined in Section 1332(b)(1) of the PPACA and related [guidance](#). Specifically, the waiver is projected:

- to provide coverage at least as comprehensive as the coverage defined in section 1302(b) of PPACA;
- to provide coverage as affordable as would otherwise be provided;
- to provide coverage to at least a comparable number of Alaska residents; and
- to not increase the deficit.

***Section 1332: State Innovation Waivers***

Section 1332 of the PPACA permits a state to apply for a State Innovation Waiver to pursue innovative strategies for providing their residents with access to high quality, affordable health insurance. The Departments are promoting these waivers to give states the opportunity to develop strategies that best suit their individual needs. Through innovative thinking, tailored to specific state circumstances, states can lower premiums for consumers, improve market stability, and increase consumer choice.

State Innovation Waivers allow states to implement innovative ways to provide access to quality health care that is at least as comprehensive and affordable as would be provided absent the waiver and provide coverage to a comparable number of residents of the state as would be covered absent a waiver, while not increasing the Federal deficit.

State Innovation Waivers are available beginning January 1, 2017. State Innovation Waivers are approved for five-year periods and can be renewed. The Departments welcome the opportunity to work with states on Section 1332 State Innovation Waivers. Read more about State Innovation Waivers [here](#). States interested in Section 1332 waivers for state-operated reinsurance programs can find a checklist to help states complete their application [here](#).

The letter to Alaska can be found here: [https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section\\_1332\\_state\\_Innovation\\_Waivers-.html](https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_state_Innovation_Waivers-.html).