



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of  
Health and Social Services

Governor's Council on Disabilities  
& Special Education

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May 1, 2017

The Honorable Representative Don Young  
2314 Rayburn House Office Building  
Washington, D.C. 20515

RE: The American Health Care Act

Dear Representative Young:

The Governor's Council on Disabilities and Special Education (the Council) fills a variety of federal and state roles, including serving as the State Council on Developmental Disabilities (SCDD) under the Developmental Disabilities Assistance and Bill of Rights Act. As the SCDD, the Council works with Senior and Disabilities Services (SDS) and other state agencies to ensure that Alaskans with disabilities and their families receive the services and supports they need, as well as participate in the planning and design of those services. The SCDD also works to educate and inform policymakers about the impacts of policies on Alaskans with disabilities. The Legislative Committee is a standing committee of the Council and is responsible for the day to day work to create change that improves the lives of people with disabilities and their families. Given this role, we write to share our serious concerns with the proposed American Health Care Act in regards to how it will impact Alaskans with disabilities. We also want to express our sincere appreciation for your continued support of Alaskans with disabilities.

We appreciate the opportunity to voice the Council's serious and significant concerns to the American Health Care Act (AHCA). **If enacted, the amended bill will only increase the 24 million Americans estimated to lose coverage under the AHCA, including Alaskans who experience disabilities.** The proposed MacArthur Amendment seeks to deliver cheaper insurance to healthy Americans by undercutting crucial Essential Health Benefits requirements and excluding the most vulnerable Americans from the private insurance market and segregating them into programs that have been proven to deliver worse care at higher costs to both consumers and states. This will have a huge negative impact on the lives of many of the 23% of Alaskans who experience disabilities. Furthermore, many Alaskans with disabilities will lose critical health and other long-term services with the repeal and replacement being paid for by restrictions and cuts to the Medicaid program.

As currently drafted, the ACHA and proposed amendment allows states to obtain waivers to the community rating protections that prohibit insurers from charging higher rates for individuals with pre-existing conditions and the Essential Health Benefits requirements.

### ***Waiving Community Rating Will Harm Alaskans Who Have Pre-Existing Conditions***

Prior to the Affordable Care Act (ACA) prohibition on health status underwriting, individuals living with chronic conditions and disabilities were routinely required to pay premium surcharges that could be over 100% of the premiums offered to individuals without pre-existing conditions for even minor conditions such as hay fever.<sup>1</sup> The community rating consumer protections were crucial tools in the expansion of coverage experienced in the last eight years, especially among people who experience disabilities. **The ACHA and proposed amendments, through its waiver program, would allow insurers to effectively deny coverage to the approximately 160,000<sup>2</sup> Alaskans living with pre-existing conditions by pricing them out of the market.**

The ACHA and amendments tries to mitigate its harsh treatment of individuals living with pre-existing conditions by requiring states to operate high-risk pools to cover this population. It is unacceptable to segregate Alaskans who experience disabilities out of the private insurance markets and into high-risk pools. After decades of experience with high-risk pools, we know that these programs do not work for people with disabilities. The multi-decade experience with high-pools around the country suggests that they result in:

- **High costs to states: High-risk pools were extremely expensive for states to operate.** In 2011, the net losses for the 35 then operating state high-risk pools combined were over \$1.2 billion, or \$5,510 per enrollee, on average.<sup>3</sup> The high cost to the states is the reason that so many high-risk pools had issues with coverage, cost, and enrollment. It is extremely unlikely that our state, even in conjunction with federal support, could provide enough funding to adequately cover the approximately 160,000 Alaskans living with pre-existing conditions at risk of being priced out of the private insurance market without the prohibition against health status underwriting. **Alaska is currently in a budget crisis, and the cost of high-risk pools will only escalate the financial challenges our state currently faces.**
- **Poor coverage:** Nearly all state high-risk pools, prior to the Affordable Care Act, excluded coverage of pre-existing conditions for medically eligible enrollees, usually for six to twelve months.<sup>4</sup> Additionally, the vast majority had lifetime dollar limits on covered services, including annual dollar limits on benefits such as prescription drug coverage and substance abuse services.<sup>5</sup> Alaskans with disabilities need a minimum benefits package that includes the range of services and treatments needed to manage their conditions, including prescription drug benefits, substance use and mental health treatments, and preventive services. **Forcing them into programs that may provide limited benefits, such as caps on prescription drug benefits, would undermine Alaskans' ability to manage their health conditions and increase acute incidents and hospitalizations.**
- **High costs to consumers:** Prior to the ACA, most state high-risk pools set premiums at 150-200% of market rates,<sup>6</sup> making coverage through a high-risk pool much more expensive than through the private insurance market. In 2009, the average annual deductible for the most popular plan offered by each of the 34 then existing high-risk pools was almost three times as high as the average annual deductible among employer sponsored insurance plans.<sup>7</sup> High premiums and high deductibles meant

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<sup>1</sup> Kaiser Family Foundation, *How Accessible is Individual Health Insurance for Consumers in Less-Than-Perfect Health?* (June 2001), available at <http://kff.org/health-costs/report/how-accessible-is-individual-health-insurance-for-2/>.

<sup>2</sup> Families USA, *Report: Nearly 160,000 Alaskans with Pre-Existing Conditions Gain Needed Protection from Insurance Denials under Health Care Law* (March 2012) <http://familiesusa.org/press-release/2012/report-nearly-160000-alaskans-pre-existing-conditions-gain-needed-protection>.

<sup>3</sup> Karen Politz, *High-Risk Pools for Uninsurable Individuals* (2017), available at <http://kff.org/health-reform/issue-brief/high-risk-pools-for-uninsurable-individuals/>.

<sup>4</sup> Politiz.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> United States Government Accountability Office, *Health Insurance: Enrollment, Benefits, Funding, and Other Characteristics of State High-Risk Health Insurance Pools* (2009), available at <http://www.gao.gov/assets/100/96314.pdf>.

that enrollees often struggled to obtain affordable coverage through the high-risk pools. It would be unlikely that Alaska could deliver coverage through high-risk pools at comparable cost to the Marketplaces. **This would leave most Alaskans with chronic illnesses and disabilities struggling to afford their coverage through high-risk pool programs.**

- **Limited Enrollment:** In 2008, high-risk pools in 35 states covered only 199,418 individuals despite nearly 4 million additional Americans potentially eligible due to uninsured status and pre-existing conditions.<sup>8</sup> This was because states struggled to find sufficient funding to cover a larger number of beneficiaries, resulting in long delays for coverage. For those who would be waiting for enrollment in a high-risk pool, the delay could mean the difference between life and death. **Waiting for coverage would be especially harmful for Alaskans with disabilities because their health and well-being may deteriorate as they are forced to wait for enrollment to access services.**

#### *Waiving Essential Health Benefits Requirements Will Harm Alaskans with Disabilities*

In addition, the ACHA and amendments would allow states to waive Essential Health Benefits requirements, which would disproportionately harm people with disabilities. Individuals with disabilities must have access essential health benefits that includes the range of services and treatments needed for their conditions, including prescription drug benefits, substance use treatment, mental health treatments, and preventive services. For example, the recent rise in opioid abuse in Alaska will put increased emphasis on the need for this essential health benefit that includes substance abuse treatment. **Without a guaranteed minimum standard of benefits, Alaskans with disabilities could find themselves with access to insurance that does very little to provide meaningful access to care and treatment. A lack of minimum benefits will ultimately harm individual health, community health and drive up the costs of health care.**

#### *The AHCA Still Contains Many Provisions That Will Harm Alaskans with Disabilities*

The AHCA itself remains a serious threat to access to care for Alaskans living with disabilities. The per capita cap funding proposed by the AHCA for the Medicaid program and elimination of the Medicaid expansion are estimated to cut \$880 billion in federal funding from state Medicaid programs. Nationally, this will result in 14 million fewer people covered by Medicaid by 2026 than would be under current law. In Alaska, 136,000 people get comprehensive, affordable health coverage through Medicaid.<sup>9</sup> This drastic cut in funding for the program will result in a loss of coverage and services for those Alaskans with disabilities who depend on the program both through traditional eligibility categories and the Medicaid expansion. The AHCA would also end Medicaid expansion, which was an important tool for delivering needed services to individuals with disabilities in our state. Prior to the ACA, many Alaskans with medical care needs did not qualify for Medicaid coverage, no matter how poor they were. For example, **the Medicaid expansion caused the uninsured rate for Alaska Natives to fall from 30.2 percent in 2015 to 22.8 percent in 2016. In our state, expanded Medicaid coverage provides access to care that keeps Alaskans healthy, productive, and independent.**

The AHCA also fails to take income and geography into account for premium tax credits. **This unfairly impacts citizens of Alaska, by not accounting for the higher cost of medical care in Alaska, or the expense of getting necessary treatment outside of Alaska.**

Lastly, the AHCA would allow discrimination against Alaskans with pre-existing conditions through its continuous coverage requirement. Individuals with serious conditions or disabilities, such as cancer,

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<sup>8</sup> *Id.*

<sup>9</sup> Center on Budget and Policy Priorities, *Medicaid Works* (2015), <http://www.cbpp.org/medicaid-works-how-cuts-would-harm-states#AK>.

mental illness, and diabetes, are more likely to experience gaps in healthcare coverage due to changes in employment status related to periods of illness or intensive treatment that may leave them unable to work. The AHCA would allow insurers to penalize enrollees with gaps of coverage two or more months long by charging up to 30% higher premiums for a year. **This will shut the door on healthcare coverage for Alaskans who experience disabilities with episodic periods of acuteness and recovery, right when they need it the most.**

**Alaskans with disabilities will be put at serious risk of not being able to get the health and long-term care that they need should the American Health Care Act be signed into law.**

Thank you for your attention to this critical matter. Should you have questions about this letter, please feel free to contact the Governor's Council on Disabilities and Special Education.

Respectfully,

A handwritten signature in blue ink, appearing to read "Amy Simpson", with a horizontal line extending to the right.

Amy Simpson, Chair  
Governor's Council on Disabilities & Special Education

A handwritten signature in black ink, appearing to read "Patrick Reinhart", with a horizontal line extending to the right.

Patrick Reinhart, Executive Director  
Governor's Council on Disabilities & Special Education