

**From:** [Sen. Anna MacKinnon](#)  
**To:** [Senate Finance Committee](#)  
**Subject:** FW: SB 206  
**Date:** Wednesday, April 13, 2016 10:26:40 AM

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**From:** Jerry Reinwand [mailto:reinwand@ptialaska.net]  
**Sent:** Wednesday, April 13, 2016 10:26 AM  
**To:** Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>  
**Cc:** Erin Shine <Erin.Shine@akleg.gov>  
**Subject:** SB 206

Senator MacKinnon:

As you know, SB 206—legislation introduced by the Governor to address the crisis in the individual health insurance market—is up for a hearing today at 5:00 p.m. in Senate Finance. Here is the Readers Digest version of the problem that SB 206 is attempting to solve:

- The individual health insurance market in Alaska is in crisis
- With health reform, in 2014, the **major change** to the insurance market was **guaranteed issue** to all individuals without preexisting condition exclusions. This provided access to insurance for several thousands of individuals
  - And, Premera and insurers priced products estimating the impact of the uninsured purchasing coverage for the first time
  - We experienced a significant influx of new enrollees with very high medical costs , many leaving the high risk pool (which has shrunk by half) and the federal preexisting condition pool and Premera lost approximately \$13 million in the individual market
- For 2015 and 2016, Premera had approximately 37% and 39% average rate increases for the individual metallic plans, but claims continue to exceed premiums.
- To say it differently, Premera is taking in on average \$713 in premium Per Month Per Member (PMPM) and paying claims at \$919 PMPM, demonstrating the very high claims costs in the individual pool
- In a very small sized market like Alaska, **there are not enough healthy individual purchasers to offset the costs of enrollees with very high medical needs**
- Today-- Alaska's average benchmark plan premium is the highest in the country (over \$700 per month; next highest state is \$468)
- We are very concerned that premiums will continue to skyrocket due to the small size of the individual pool
  - With fewer people to spread risk across, a small number of individuals with high cost conditions is destabilizing the pool and impacting costs dramatically
- One solution – is an approach other insurers already took- to exit the individual market; only two companies are currently writing policies in the individual market in Alaska: Premera and Moda
- Alternatively, Premera and Moda have been working collaboratively with the DOI to come up with a sustainable option for Alaskans—which is the reinsurance program administered by the state's high risk pool, ACHIA
- The reinsurance program would **spread the claims** from **highest cost medical conditions** across the entire insured market using the state's high risk pool-
  - Paid for by an assessment on insured plans. Spreading costs across a broader base will help **lower the rate of increases for individual purchasers**
- This solution was implemented previously by the state's high risk pool (ACHIA) in 2013 to ensure that child-only health policies were available in the individual market

- Using ACHIA, a reinsurance program for the individual market could be implemented efficiently given ACHIA's experience and with minimal to no administrative costs, since the infrastructure already exists
  - As an insurer that offers coverage to both individual and group purchasers (with around 45% marketshare in group business), **Premiera supports a balanced assessment** that will not place undue burdens on the group market
  - SB 206 will help mitigate the premium increases and on behalf of over 10,000 individuals that Premiera covers, we ask for your support
- If you have any questions regarding SB 206, please do not hesitate to contact me.  
Jerry