

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

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), **Premera 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 Premera covers, we ask for your support

If you have any questions regarding SB 206, please do not hesitate to contact me.
Jerry