

Statement on Premera's Individual Market Plans in Alaska Under the ACA

SEPTEMBER 5, 2014 [LEAVE A COMMENT \(HTTP://PREMERANEWS.COM/2014/09/05/STATEMENT-ON-PREMERAS-INDIVIDUAL-MARKET-PLANS-IN-ALASKA-UNDER-THE-ACA/#RESPOND\)](http://premeranews.com/2014/09/05/STATEMENT-ON-PREMERAS-INDIVIDUAL-MARKET-PLANS-IN-ALASKA-UNDER-THE-ACA/#RESPOND)

The Alaska Division of Insurance [has approved](http://www.akbizmag.com/Alaska-Business-Monthly/September-2014/Alaska-Health-Insurance-Rates-to-Increase-Substantially-Due-to-Obamacare/) (<http://www.akbizmag.com/Alaska-Business-Monthly/September-2014/Alaska-Health-Insurance-Rates-to-Increase-Substantially-Due-to-Obamacare/>) Premera's request to increase rates for 2015 for individual market plans under the Affordable Care Act (ACA). This will result in a significant rate increase for many of our customers purchasing individual and family plans.

We recognize this is a very difficult situation, especially for our affected customers. We have found there's a problem with Alaska's individual market that requires an Alaskan solution.

The problem

The market for individuals and families purchasing coverage has changed since the implementation of the ACA. This is a situation unique to Alaska and not sustainable. We've seen a large influx of individuals with very significant medical needs and related medical costs purchasing new coverage under the ACA.

Who is impacted?

We're implementing a large rate increase to cover very high medical costs for our members in plans in the individual market under the ACA, including those purchased in the Exchange. Those plans cover approximately 7,000 members today. We know this will be a significant financial challenge for some of our customers and are working with key leaders in Alaska to find an Alaskan solution to this problem.

Who is not impacted?

This does not affect our members on individual and family plans in Alaska that were in effect before January 1, 2014. Those plans cover approximately 6,000 members today. This also does not affect members on our employer plans.

Why is this happening?

Implementation of the ACA has changed the Alaska individual market. The combination of guaranteed access to coverage and the comparatively small number of individual consumers creates an

individual market that may not be sustainable. In short, there are not enough healthy members in Alaska's individual market to offset the cost of members with very high medical costs.

How did things work before the ACA?

Alaska's high-risk pool (ACHIA) previously provided coverage to individuals with significant medical needs and spread that cost across the entire insured market, including employer groups.

Since the implementation of the ACA in January, 50% of ACHIA enrollees and 100% of the federal Pre-existing Condition Insurance Pool members in Alaska have left those plans and have likely now purchased coverage in the individual market. A disproportionate share of these individuals likely chose Premera plans.

Why are Premera's rates for individual plans under the ACA going up?

We have seen a significant influx of new members with exceptionally high medical cost buying plans under the ACA. These members have significant medical conditions such chronic heart failure. That's having a unique impact given the size of Alaska's individual market.

Again, it's important for these individuals to have coverage. And all Alaskans deserve a more stable, competitive individual market with affordable choices.

What kind of high medical costs are we talking about?

Between Jan. 1 and June 30, 2014, we had more than \$7 million in medical claims from only 33 Alaska members on individual plans under the ACA. That's roughly one-third of all the medical claims costs for all 7,000 members on our individual plans under the ACA.

We're currently paying an average of \$723 in medical claims per month for our members on these plans compared to receiving only \$540 on average in premiums. We expect to lose \$3.7 million in 2014 serving individual market on these plans.

How much are rates increasing?

We need a 71.5% average rate increase to break even in 2015. We have instead filed for and received approval for a 37.3% average rate increase. Actual rate increases for members will vary based on age and geography so no customer will likely see an exact 37.3% increase, but the average makes clear that rising medical costs are driving up rates.

We expect to lose \$5 million in 2015, even with this rate increase, in the absence of a state supplemental reinsurance program to stabilize Alaska's individual market.

The key here is the lack of a large enough pool to spread the costs of members with very significant medical needs. Again, these individuals deserve access to coverage and we're working with state officials to find a solution to this challenge for Alaskans.

What should happen now?

We believe action is necessary to re-establish the balance that existed in the individual market prior to the implementation of the ACA.

Our members with very significant medical needs should have coverage. The key is finding a way to stabilize the market for all Alaskans looking to purchase individual and family coverage. We want Alaskans to have affordable options for coverage. That will require a competitive market that is stable and sustainable, without significant swings in premiums.

Premera is working with state government officials and other leaders to develop and implement a program to stabilize the market and keep costs affordable for individual consumers.

We encourage the state to implement a supplemental state reinsurance program, which can reestablish market stability by spreading high medical costs across the entire insured market and mitigate the need for large rate increases by Premera and other insurers in the individual market in the future.

What's next?

Premera is committed to creating a more sustainable healthcare market for Alaska, to make the cost of care and coverage more affordable for our members.

Premera has been serving the Alaska market for over 60 years. Because of its size and geography Alaska has a comparatively volatile market and high care costs compared to other states. We know Alaskans and are committed to finding a sustainable solution for all consumers in the individual market.

We look forward to working with state officials to implement a supplemental reinsurance program to address this challenge for Alaskans.

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