

April 3, 2012

Representative David Guttenberg
State Capitol Room 418
Juneau, AK 99801



RE: HB 326 Health insurers and child-only policy

Jack C. McRae
Senior Vice President

Dear Representative Guttenberg,

On behalf of Premera Blue Cross Blue Shield of Alaska, I wish to inform you of our concerns with HB 326 "an Act requiring health care insurers to offer a child-only policy". I would also like to share with you an approach for children to obtain healthcare coverage throughout the year while providing cost and premium stability in the tenuous individual insurance market in Alaska.

We understand the critical issue of providing access to health insurance coverage to children under age 19. The Affordable Care Act requires insurers to guarantee issue coverage with no pre-existing condition waiting periods or exclusions to individuals under age 19.

Our concerns with HB 326 relate to the defined open enrollment periods when insurers would be required to offer child-only policies. Under this approach, children would only have the opportunity to enroll in coverage during specific times of the year. Parents will continue to face difficulty finding individual coverage for their children during the rest of the year. Special enrollment periods resulting from a qualifying event will provide some relief, but will not provide the crucial access to coverage throughout the year.

Unfortunately, establishing open enrollment periods for child-only policies with guaranteed issue coverage will cause increasing premiums for everyone in the individual market, as children, some with serious medical conditions, obtain coverage. When faced with higher overall rates, some currently insured individuals may drop coverage altogether.

We have been working with the Division of Insurance on a solution to this very problem. We have proposed a reinsurance program that will allow insurers to offer individual policies to children year-round while balancing the associated risk of the new purchasers. This program will spread the risk of enrolling high risk children across the entire commercial market. This will provide greater market and premium stability as all insurers will share the risk. The reinsurance program would be administered by the Alaska Comprehensive Health Insurance Association (ACHIA) Board and could be modeled after a program that is currently operational in the state of Oregon.

Thank you for your consideration of our concerns with HB 326 and our proposal to provide year-round access to health coverage for children. Please let me know if you have questions or would like to discuss this matter further.

Sincerely,

A handwritten signature in black ink that reads "Jack C. McRae".

Jack C. McRae
Senior Vice President