

- Thank you, Chair MacKinnon and Co-Chair Kelly and members of the Committee
- For the record, I am Sheela Tallman with Premera Blue Cross Blue Shield of Alaska
- I am here today testifying **in support of HB 374**
- The individual health insurance market is in crisis
- I'd like to start by briefly describing what got us here-- 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 break even in 2015, Premera would have needed a 70% increase
- To say it differently, Premera is taking in on average \$713 in premium 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)
 - While states are experiencing similar increases, impacts in Alaska are more than double
 - While subsidies help many, Premera has **over 1,200** individuals who do not qualify for them

- 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
 - Alternatively, Premiera has 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 **cover/reinsure the claims** for the **highest cost medical conditions** (long term, chronic conditions- heart failure, kidney disease)
 - A reinsurance program would help mitigate the premium increases for individual policyholders, but also stabilize the market which can potentially attract new competitors
 - It also provides more financial certainty to customers about their health insurance
 - Premiera also supports the state innovation waiver
 - Premiera supports flexibility at the state level to help Alaskans maintain the coverage they’ve had and to tailor reforms to meet the unique needs of the AK market.
 - A waiver would allow the state to explore long term ideas to help address the high cost of healthcare in this state
 - What Alaskans need is immediate relief from these year over year premium increases
 - HB 374 will help mitigate these swings and on behalf of the 23k individual policyholders, we ask for your support
 - Thank you
-