



March 20, 2025

Senator Forrest Dunbar, Chair
Senate Health and Social Services Committee

Re: Senate Bill 121, Health Insurance Allowable Charges

Dear Chair Dunbar, and members of the Senate Health and Social Services Committee,

The Alaska Chamber (the Chamber) writes in opposition to Senate Bill 121, an act relating to settlement of health insurance claims; relating to allowable charges for health care services or supplies; and providing for an effective date.

The Alaska Chamber is the state's largest statewide business advocacy organization. Our mission is to promote a healthy business environment in Alaska. The Chamber has more than 700 members and represents businesses of all sizes and industries from across the state, representing 58,000 Alaskan workers and \$4.6 billion in wages.

Each year, the Chamber membership researches, debates, and ultimately votes on what our policy positions and priorities will be moving forward. Repeal or reform of the 80th percentile rule was a policy position of the Chamber's for more than six years, through its ultimate repeal. The reason the Chamber adopted this position was directly tied to the soaring costs of healthcare in Alaska, and we were pleased to see the repeal become a reality in May 2023. The economic instability caused by out-of-control healthcare costs has negatively impacted not only Chamber membership, but nearly all businesses and organizations that offer or would like to offer health insurance.

The Chamber recognizes that the high cost of care in Alaska is a multi-faceted issue, and there is no one specific cause that attributable to the crisis. However, research shows that the 80th percentile rule is unequivocally one of the contributing factors to the high cost of care, and reinstating a 75th percentile rule would roll back the incremental positive changes we've seen since the repeal.

Senate Bill 121 would impact approximately 118,000 Alaskans—15% of the population—who rely on individual, small-group, and large-group insured plans regulated under Title 21. By mandating reimbursement at the 75th percentile for all out-of-network care, even if a provider charges less, the bill will drive up premiums and health care costs for Alaskans. The nonpartisan National Academy for State Health Policy (NASHP) has found that similar policies increase costs, while other states are actively working to reduce costs by adjusting provider reimbursement rates.

No other state has implemented across-the-board reimbursement mandates at this level. While some states have percentile-based reimbursements, they are limited to emergency or access-related situations. In contrast, this bill applies across all out-of-network claims, setting an unprecedented and unsustainable benchmark. Health plans such as AlaskaCare, the University of Alaska, and the Pacific Health Coalition have established reimbursement rates at 185% of Medicare, whereas SB121 would effectively set rates at 450% of Medicare—far exceeding any other state's standard.



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The bill also undermines recent health care reforms introduced alongside the repeal of the 80th percentile rule, including Medicaid rate review and primary care reimbursement studies aimed at addressing cost concerns in a data-driven manner. Moving forward with a reimbursement mandate at this level would disrupt ongoing efforts to create a more sustainable and competitive health care system.

For these reasons, we strongly oppose SB121 and urge lawmakers to consider policies that reduce health care costs without placing additional financial burdens on consumers and businesses. We appreciate your attention to this important issue and welcome the opportunity to work on solutions that ensure affordable, high-quality health care for all Alaskans. Thank you for considering the Alaska Chamber's comments.

Sincerely,

A handwritten signature in black ink that reads "Kati Capozzi". The signature is written in a cursive, flowing style with a large initial "K" and "C".

Kati Capozzi
President and CEO

From: Ellen Izer <Ellen.Izer@PREMERA.com>
Sent: Thursday, March 20, 2025 3:20 PM
To: Sen. Cathy Giessel <Sen.Cathy.Giessel@akleg.gov>
Subject: SB121 and SB122

Dear Senator,

The viability of Alaska's health insurance market is at risk. As of January 1, 2024, the Alaska Department of Commerce repealed the 80th percentile rule, which previously set a minimum reimbursement rate that insurers were required to pay providers. Under this rule, insurers had to reimburse providers at the 8th highest billed charge out of 10, allowing providers to increase their billed charges twice a year—a practice that artificially inflated healthcare costs and drove up insurance premiums at a rate higher than most other states.

Now, this progress is under threat with the introduction of SB 121, sponsored by Senator Kathy Giessel. This bill proposes reinstating a minimum price-setting mechanism, setting rates at the 75th percentile of billed charges (the 7.5th highest billed amount out of 10) or 450% of Medicare rates—meaning insurers would be required to pay 4.5 times what the federal government deems reasonable for reimbursement.

Additionally, SB 122, also sponsored by Senator Giessel, would impose unprecedented restrictions on insurers' ability to build provider networks. This bill would mandate that insurers include most practicing providers in their networks, eliminating the ability to establish networks based on mutual agreement and aligned cost structures. This would undermine insurers' ability to negotiate fair rates and contain costs—ultimately increasing premiums for Alaskan businesses and families.

Why This Matters

These bills fail to address Alaska's core healthcare challenge: the high and unsustainable cost of medical services. Instead, they unfairly shift the financial burden onto a shrinking group of Alaskans—primarily employers offering health benefits and individuals purchasing insurance for their families.

Meanwhile, the majority of Alaskans, those covered through Medicaid and Medicare, would see no impact from these bills, leaving the responsibility for rising costs on a small and declining percentage of the working population. If passed, SB 121 and SB 122 would significantly disrupt the Alaska health insurance market, increasing premiums and reducing affordability for businesses and individuals.

Respectfully,

Ellen Izer
10301 Stewart Dr
Eagle River, AK 99577
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From: lamppost@gci.net <lamppost@gci.net>

Sent: Thursday, March 20, 2025 4:11 PM

To: Sen. Jesse Bjorkman <Sen.Jesse.Bjorkman@akleg.gov>; Sen. Kelly Merrick <Sen.Kelly.Merrick@akleg.gov>; Sen. Elvi Gray-Jackson <Sen.Elvi.Gray-Jackson@akleg.gov>; Sen. Forrest Dunbar <Sen.Forrest.Dunbar@akleg.gov>; Sen. Robert Yundt <Sen.Robert.Yundt@akleg.gov>; Sen. Cathy Giessel <Sen.Cathy.Giessel@akleg.gov>; Sen. Matt Claman <Sen.Matt.Claman@akleg.gov>; Sen. Löki Tobin <Sen.Loki.Tobin@akleg.gov>; Sen. Shelley Hughes <sen.shelley.hughes@akleg.gov>

Subject: SB121 and SB122

Dear Senators,

As I'm sure you already are aware, as of January 1, 2024, the Alaska Department of Commerce repealed the 80th percentile rule, in which provider minimum reimbursement rates were set. Under this rule, insurers had to reimburse providers at the 8th highest billed charge out of 10, allowing providers to increase their billed charges twice a year. When providers increase their charges twice in a 12 month period, health care costs are artificially inflated and health insurance premiums are increased at a rate higher than most other states.

It is well known that Alaska's health care rates for services provided are far above the national average. The introduction of SB121, sponsored by Senator Giessel, reinstates a minimum price-setting mechanism rates at the 75th percentile, or 450% of Medicare rates. This means that insurers would be required to pay 4.5 times what the federal government deems reasonable for reimbursement. SB122, also sponsored by Senator Giessel, would impose restrictions on an insurer's ability to build provider networks by requiring that most practicing providers be added to insurer's networks, eliminating the ability for the insurers to establish networks based on mutual agreement. When negotiations happen, we all end up with fair rates and cost containment. Both of these bills have the potential of skyrocketing medical costs in the state of Alaska, which then has the potential to shift medical care for Alaskans to other states. Eventually, Alaska could be left with bare bones medical care, which is dangerous and unnecessary.

Alaskans on Medicare/Medicaid would not be affected, thereby shifting the full financial burdens caused by SB121 and SB122 to those covered under group plans and those who purchase their coverage through the exchange. I am one of those people. I am a widowed person, with no one to share the rising costs of healthcare. On top of that, I'm also in my early 60s, and although fairly healthy, I am still starting to have more medical issues that I did even 10 years ago. So this is concerning to me, and weighs heavy on my mind. I cannot afford for my premiums to keep rising 30% a year, nor can I afford to have my 20% coinsurance increase substantially.

I respectfully ask that you reconsider these Senate Bills, and the impact both will have on the people of Alaska.

Thank you,
Rhonda Lamp



The Honorable Forrest Dunbar
Chairman
Senate Health & Social Services Committee
State Capital Room 125
Juneau, AK 99801

Re: Opposition to SB 121

Dear Senator Dunbar,

I am writing on behalf of the National Association of Benefits and Insurance Professionals Alaska Chapter (NABIP Alaska Chapter), an organization representing consultants, licensed agents, and brokers engaged in health insurance sales and service across the state of Alaska. Our members represent thousands of Alaskan employers, employees, and dependents. We wish to express our **opposition and concerns regarding SB 121**.

While NABIP supports fair and reasonable compensation for healthcare providers, we strongly oppose SB 121 and believe this legislation will destabilize Alaska's already fragile individual and group fully insured health insurance marketplaces that cover 118,000 Alaskans. Our NABIP members work directly with these individuals and businesses to ensure Alaskans continue to have access to affordable healthcare. The **primary concern of our organization is how the cost floors described in SB 121 would directly increase costs to this small segment**.

Laws passed by the Legislature will primarily affect the Individual market and only the fully insured Employer Market, as the self-funded group market is exempt from state regulations. Thereby, this legislation will **only impact 15% of Alaskans**—approximately 118,000 individuals. Burdening the cost of this legislation on this small percentage of Alaskans **unfairly shifts** the burden of healthcare costs to the smallest health insurance population in Alaska. This includes lower income Individuals & families, small businesses, self-employed, sole proprietors, gig and seasonal workers, students, and early career professionals.

In Alaska, **we have extremely limited options for private health insurance** for this 15% of the population seeking coverage. We fear legislation that targets this small segment of the population will place an unjust burden on individuals and employers in Alaska, resulting in increased costs for Alaskan employers, employees and families, as well as accelerating the decline of businesses in our state, disincentivizing entrepreneurship, and placing small businesses at an unfair disadvantage.

SB 121 serves as an attempt to replace the 80th Percentile Rule which was only repealed as of January 1, 2024. Remember, the 80th Percentile Rule was implemented at a time when providers, especially specialists in Alaska, were not joining carrier networks, which is no longer the case. **The repeal of the 80th Percentile is already having a positive impact on access to healthcare**. Moda Health has added over 1,500 providers to their network and Premiera has not had any providers leave their network to date. Providers

joining carrier networks protect Alaskans by providing more in-network options, eliminating balance billing, reducing the cost share for Alaskans, and lowering the overall healthcare cost trend.

Alaska is already challenged with an aging population and net out migration. Policies that will help us maintain a robust working age population in our state are critical. To encourage enterprising Alaskans to start businesses and to attract more young people to our state, we must provide the basics – including access to affordable healthcare. Having access to affordable and quality healthcare is a primary requirement of attracting and retaining a strong workforce.

Any legislation that raises health insurance reimbursements has a direct correlation to the increase in healthcare premiums. This is a fundamental principle of how insurance operates. Collected premiums in a market are allocated to cover expected claims, administrative expenses, and reinsurance pools. Health insurance in Alaska is already costly, and further increases will compel more Alaskans to forgo insurance. This could cause severe economic and health consequences for families, individuals, the community, and the state. This situation will exert additional pressure on state-funded assistance programs and emergency medical services, leading to significant economic and health repercussions for Alaska. A decline in enrollment in the state's small group and individual health insurance marketplace could destabilize these already limited risk pools and potentially result in more insurance carriers exiting these markets. Currently, Alaska has only two carriers in the individual market, and in 2025, one carrier exited the small group insurance market leaving only three carriers.

We encourage the committee to set this legislation aside, and to engage the entire healthcare community in ways we can collectively address healthcare access and affordability in Alaska. Those solutions should not target a small subset of Alaskans. We need solutions that consider how providers are compensated through all types of coverage to include state, federal and tribal programs, and Medicaid and Medicare reimbursement rates. We need solutions that examine increased transparency standards on insurance carriers to better enable Alaskans to make informed healthcare coverage decisions. The need for higher provider compensation cannot solely be the responsibility of the most vulnerable, individuals and small businesses in Alaska.

Healthcare and Health Insurance in Alaska is the highest cost in the World, we need to focus on legislation and solutions that lower the cost of care and insurance. NABIP Alaska Chapter stands ready to work with all stakeholders to lower the cost of care, increase quality and expand access to Alaskans. Thank you for your attention to this matter. We are happy to answer any additional questions you may have to better understand the nuances of these issues and the potential impacts to our state.

Sincerely,

Albert Fogle
NABIP Alaska President
907.575.5625

cc: Senate Health & Social Services Committee Members

Bradley Olson
3720 Eastwind Dr.
Anchorage, AK 99516
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907 360-9110

3/18/2025

The Honorable Cathy Giessel
State Capitol Building Room 427
Juneau, AK 99801

RE: Opposition to SB 121 and SB 122 – Protecting Choice and Stability in Alaska's Health Insurance Market

Dear Senator Giessel,

I am writing as a licensed health insurance producer serving businesses across Alaska. I am deeply concerned about the negative consequences that SB 121 and SB 122 will have on our state's health insurance market. These bills do not address the real challenges facing Alaska's healthcare system and will only serve to increase costs on an ever-shrinking pool of fully insured employers and individuals.

SB 121 and SB 122 attempt to reinstate outdated policies like the 80th percentile rule, which was repealed because it artificially inflated costs rather than improving access or affordability. Since its repeal, no providers have left the Premera Blue Cross Blue Shield of Alaska's network, the largest in the state. In fact, the Premera network has remained stable, if not grown. This clearly demonstrates that the repeal did not negatively impact provider participation, despite emotional, hollow rhetoric from opponents.

Alaska's healthcare cost crisis is not caused by reimbursement policies alone. Providers are facing the same economic pressures as every other Alaskan business, high prices on goods and services, inflation, and a shortage of qualified labor. These systemic challenges require broader solutions, not a return to policies that failed in the past.

The True Impact of SB 121 and SB 122:

- **A Shrinking Pool of Impacted Members:** These bills would only affect the diminishing group of Alaskans who purchase fully insured coverage—either individually or through their employer. Today, only about 35% of Premera's employer-based insurance members would be impacted by these policies, and

even that percentage continues to decline as more employers shift to self-funded plans.

- **No Impact on Medicaid and Medicare Members:** 33% of Alaskans are covered by Medicaid, and a significant and growing number are on Medicare. This legislation would not apply to them, meaning it will do nothing to address the financial pressures outlined in the bills.
- **Unsustainable Cost Shifting:** For years, Alaska's fully insured employers and individuals have borne the brunt of cost shifting to subsidize providers. That model is no longer sustainable. Instead of forcing private insurance premiums higher, the State must explore real solutions to support providers, such as:
 - Increasing Medicaid reimbursements
 - Working with the federal government to improve Medicare reimbursement rates in Alaska

A viable provider network is critical to ensuring access to care, but artificially inflating prices does not make the system more sustainable. No other business in Alaska gets to set its own minimum price. If the State wants to ensure long-term healthcare affordability, it must pursue structural reforms rather than reviving failed policies.

As someone who works directly with Alaskan businesses and families struggling with rising healthcare costs, I urge you to oppose SB 121 and SB 122 and instead advocate for meaningful reforms that ensure broad access at reasonable and fair costs.

I would welcome the opportunity to discuss these concerns further and share real-world impacts from the people and businesses these bills will affect most.

Thank you for your time and consideration.

Sincerely,

Bradley Olson
907 360 9110

March 13, 2025

Senator Forrest Dunbar
Chair, Senate Health & Social Services
Alaska State Legislature
State Capitol Room 125
Juneau, AK 99801

RE: SB 121

Chair Dunbar:

Thank you for the opportunity to transmit the concerns of Premera Blue Cross Blue Shield of Alaska regarding the large affordability impacts that would be borne by Alaska businesses and consumers, should this ill-considered legislation be enacted.

At Premera, we feel that efforts to promote the affordability of our products are key to continuing to be able to provide care for our customers. This is because affordability has become the highest bar a person must clear, in order to gain access to health insurance and health care services.

Background:

While well intended, the 80th percentile rule (in effect, nearly identical to SB 121) had a profoundly negative impact on affordability in Alaska – arguably now the most expensive health care market on the planet. The 80th percentile strongly contributed to this inauspicious designation.

A description of how the 80th percentile worked helps explain why it was inflationary:

If we were to list ten bills from providers in an area in order from the lowest to the highest amount billed for a particular service, the top three get paid at the level of the third highest (the 80th percentile). The rest get paid billed charges. So, if you are a provider that got paid billed charges, the clear message to you is to bill more next time because others are making more money than you are for that service. And if you're the only specialty provider of your type in an area, you can name your price.

These inflationary pressures would be identical under SB 121.

Prices are higher for virtually every service in Alaska relative to Washington state. This chart illustrates the matter, depicting the degree to which common commercial procedures are more expensive in Alaska than in Washington (these are within a typical range):

Code	Description	AK as % of WA Paid Amounts
74177	CT Scan Abdomen & Pelvis	223%
77067	Screening Mammography, Bilateral	229%
80053	Comprehensive Metabolic Panel	257%
99284	Emergency Department Visit Moderate Level	185%

Rates for specialty procedures are even more egregious. One reason often given for the medical cost discrepancy is cost of living. However, a 2024 report from the U.S. Bureau of Economic Analysis placed the cost of living in Washington state over 6% higher than in Alaska.* The bottom line is, the inflationary impacts of the 80th percentile have negatively impacted the affordability of all medical services. Unwinding these impacts will take time and effort. We strongly suggest that these efforts are vital to the health of Alaska and that SB 121 would be a disastrous step in the wrong direction.

During the extensive public hearing process conducted by the Alaska Division of Insurance, opponents of repealing the 80th percentile argued that providers would leave the state if the regulation was repealed. This hasn't happened. Conversely, Premera has seen our network grow. Over 95 percent of the claims we see are in-network and we have more in-network providers than ever before. This further enhances the experience of our members.

After the repeal of the 80th, we have only seen one provider close two locations: Fresenius. Under the 80th percentile, they charged Premera members between 2,500 and 4,000 percent of Medicare! After the repeal, we are paying 300 percent of Medicare and the privately held monopolist, based in Germany, has scaled back its presence in Alaska.

Opponents of repealing the 80th percentile suggested that insurers will simply pocket the savings that stem from repealing the 80th percentile regulation. This is not possible. The Division of Insurance reviews and approves our products before we can bring them to market. In addition to the regulation from the Division of Insurance, there is a little-known feature of the Affordable Care Act that requires insurers to refund premium when the cost of care for our members is less than 80% of premium over a three-year period. Let me say that again, we refund premium. This is known as medical loss ratio rebates. The entire operation of our business is limited to a maximum of 20% of premium. No one else in the entire health care ecosystem has a government agency reviewing and approving their rates, nor

do they pay refunds when they have excess profits. All this to say, insurers, unlike others in the market, do not have the latitude to simply “pocket the savings”.

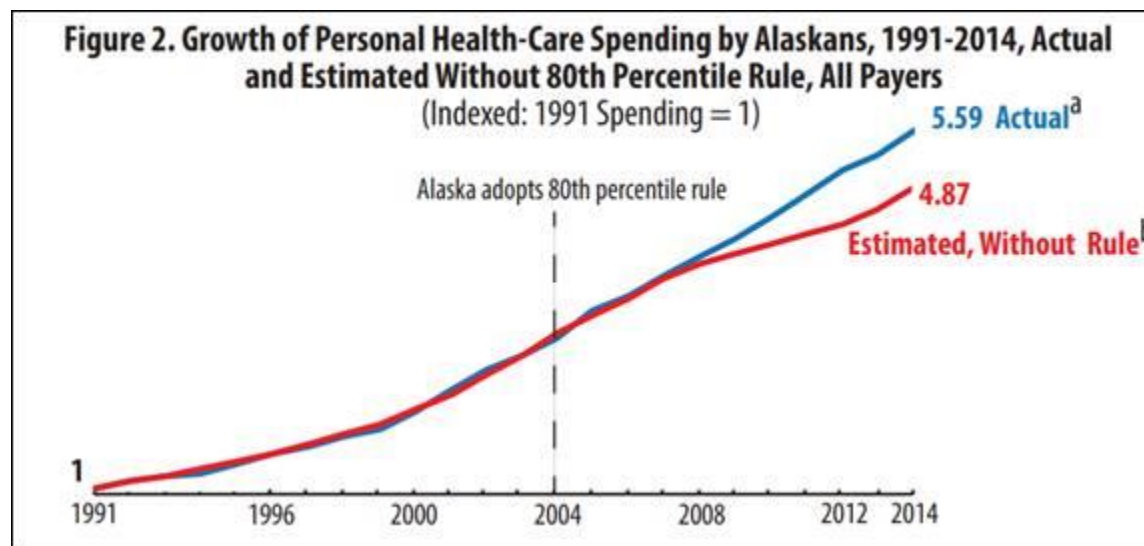
The 80th percentile rule was enacted in 2004 to protect people from surprise billing. Congress enacted the federal No Surprises Act in 2020 also protecting people from surprise billing but with the key distinction that the federal NSA has a dispute resolution system that is not inflationary.

SB 121 Impacts:

The marketplace is just beginning to realize the benefits of the repeal of the 80th percentile. And if the legislature does not pass SB 121, these benefits are poised to grow.

To use our individual insurance line as an example, our 2024 filing to the Insurance Division submitted in May of 2023 included a reduction of 3% attributable to the 80th percentile repeal. Similarly, the subsequent filing for 2025 included a further reduction of 6%. Other marketplace factors were even larger (Covid-19 aftereffects, increased hospital and labor demands, etc), in the opposite direction, so overall, premiums still went up, but less than they would have by nearly 10%. In 2024, the marketplace settled down, so we are expecting to be able to see increased favorable impacts to future rates in the absence of SB 121.

When UAA studied the 80th percentile, they produced the illustration below depicting how the rule impacted health care spending in Alaska vs. how spending would have behaved without the rule. If SB 121 is enacted, Alaskans will not see the benefits of repealing the 80th percentile.



Source: [“How Has the 80th Percentile Rule Affected Alaska’s Health-Care Expenditures?”](#) Prepared for Alaska Office of Management and Budget, by the Institute of Social and Economic Research and Department of Economics and Public Policy University of Alaska Anchorage

Conclusion:

SB 121 would re-establish the marketplace imbalance that was in place during the 80th percentile years, leading once again to outsized health care cost inflation and in the name of health care affordability, we urge you to set SB 121 aside.

Sincerely,



Gary B. Strannigan
Vice President
Congressional/Legislative Affairs

*: "Real Personal Consumption Expenditures by State and Real Personal Income by State and Metropolitan Area, 2023." *U.S. Department of Commerce, Bureau of Economic Analysis* – December 12, 2024