



April 10, 2025

Senator Jesse Bjorkman, Chair  
Senate Labor & Commerce Committee  
Alaska State Legislature  
State Capitol Room 427  
Juneau, AK 99801

**RE: SB 121 – Moda Health Letter in Opposition**

Dear Chair Bjorkman and Committee Members,

Thank you for this opportunity to comment on Senate Bill 121. Moda Health has significant concerns with the legislation. SB 121 will undo an important action taken over a year ago to repeal the 80<sup>th</sup> Percentile Rule. Reinstating any version of the rule would be an unfortunate move backwards for Alaska's healthcare consumers, as the 80<sup>th</sup> Percentile Rule lowered access to care and increased costs for those on health insurance plans.

Prior to the repeal, many providers had no incentive to enter contracts with health insurers. This limited an insurer's ability to control costs for consumers and also made it difficult to ensure access to high quality care. As a result of the repeal of the 80<sup>th</sup> Percentile Rule, Moda has increased the number of contracted provider entities in the last 15 months by 56%.

Reversing these gains by reinstating reimbursement requirements for out-of-network providers, such as the 450% CMS floor in Senate Bill 121, would increase costs significantly for consumers. An artificially inflated floor would give providers leverage to negotiate contracted rates exceeding the rates currently accepted today. This would impact a significant number of claims – both in-network and out-of-network. We estimate that the average premium increase for a family covered in the Small Group market would be over \$700 annually.

An analysis of the out-of-network claims for several large groups in Alaska billed by Alaska providers with dates of service in 2024 revealed that less than 3.4% of claims billed over 450% of CMS. In other words, setting the floor at 450% of CMS would mean over 96% of the out-of-network claims would allow billed charges. The billed charges for the out-of-network claims averaged 212% of CMS (the median is 192% of CMS). More than doubling the median charge will significantly increase the cost of healthcare plans for Alaskans.

*Health plans provided by Moda Health Plan, Inc.*

Many Alaska businesses and consumers are just now beginning to realize the benefits from the repeal of the 80th Percentile Rule. Returning to a rule that for 20 years compounded the financial burden on Alaska businesses and families purchasing healthcare is not in the interest of the long-term health of Alaska's healthcare ecosystem.

Thank you for your consideration of our concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. E. Anderson', with a stylized, flowing script.

Kraig E. Anderson, FSA, MAAA  
Senior Vice President and Chief Actuary