

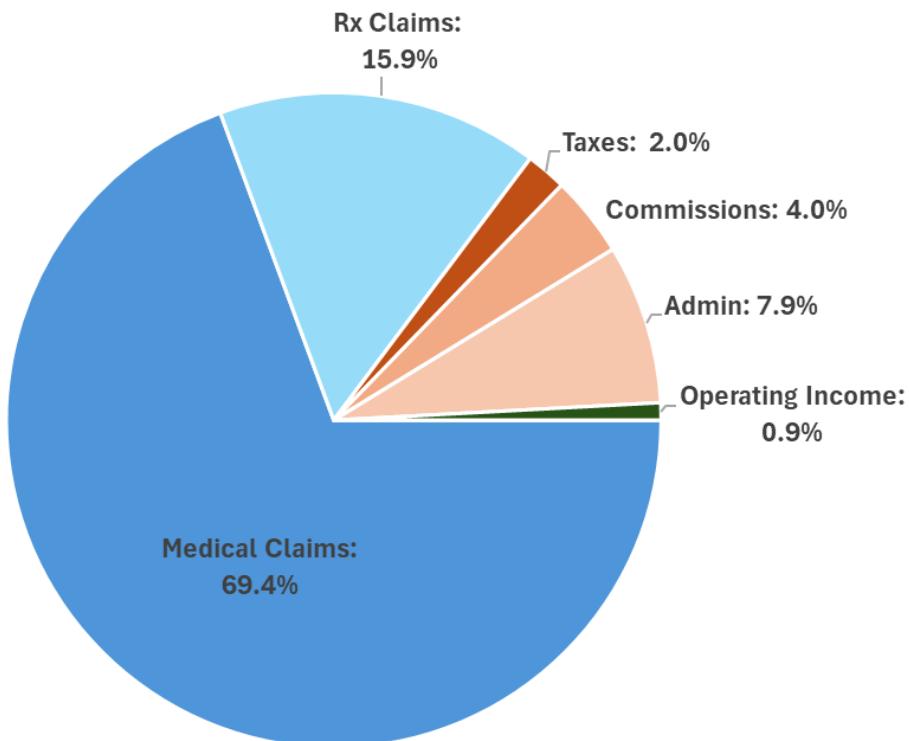
## Protecting Affordability in Alaska's Health Care System

Alaska's health care market is among the most expensive in the world, and affordability has become the primary barrier to accessing care for Alaskan families, businesses, and consumers. Recent state legislative proposals—particularly Alaska Senate Bill 121 and Senate Bill 122—risk reversing progress made in controlling costs, threatening to increase premiums and reduce access to care. This brief white paper highlights the critical importance of affordability, analyzes the impact of key policies, and offers recommendations for sustainable reform.

### **Premera is not-for-profit health plan – we are not beholden to shareholders.**

- At Premera, we have no investor owners. Instead, we are mission-driven to serve our members and to return value to our communities.
- We have no shareholders – meaning that healthcare dollars go back into healthcare. In fact, at least 80 percent of every ACA (individual market) premium dollar goes directly to paying healthcare claims. This is required by law.
- If we do not meet that threshold, we refund the money directly back to members, either through rebates or lower premiums.
- In an average year, Premera spends 85 cents of every dollar we receive in premiums on the claims of our members. After that, 12 cents goes to commissions and administrative expenses, and 2 cents goes to taxes.

**How Premium Dollars are Spent**  
(2023-2024 Alaska Group Insured Business)



## The 80th Percentile Rule: A Driver of Cost Inflation

The 80th percentile rule, which SB 121 seeks to re-establish, previously created a marketplace imbalance by incentivizing providers to increase their charges. Under this rule, insurers paid at or above the 80th percentile of billed charges for a given procedure, encouraging providers to bill more and driving up costs for everyone. Alaska's health care costs soared, making it arguably the most expensive health care market globally.

Repeal of the 80th percentile rule has begun to stabilize the market. For example, Premera's individual insurance premiums decreased by 3% in 2024 and 6% in 2025, despite other market pressures such as COVID-19 aftereffects and increased hospital and labor demands. Without SB 121, these benefits are expected to grow.

However, if SB 121 is enacted, actuarial analysis predicts that a family of four in Alaska's individual market would see their total premium increase by approximately \$5,000 in 2027. SB 121 would set an artificial floor for provider payments—450% of Medicare—far above the nationally employed usual and customary rate of **125% of Medicare in most states, and 185%** which is now used by both AlaskaCare and Premera, among others.

This would incentivize providers to leave networks and opt for higher out-of-network rates, further increasing costs.

## Affordability and Access: The Gateway to Care

Efforts to promote affordability are essential for maintaining access to health care. High costs restrict access, making it harder for Alaskans to obtain necessary services. Price comparisons show that common procedures are significantly more expensive in Alaska than in Washington state, with some services costing over twice as much. For example:

Procedure Code	Description	% Higher in Alaska
74177	CT Scan Abdomen & Pelvis	223%
77067	Screening Mammography, Bilateral	229%
80053	Comprehensive Metabolic Panel	257%
99284	Emergency Department Visit	185%

These disparities highlight the urgent need for policies that control costs and improve affordability.

## Legislative Concerns: Risks to Affordability

### SB 121: Artificial Payment Floors and Network Destabilization

- SB 121 would set an artificial floor for provider payments, driving up premiums and encouraging providers to opt out of networks. This would harm affordability and destabilize the marketplace.

## **SB 122: Restrictive Network Adequacy Requirements**

- SB 122 proposes the most restrictive network adequacy system in the United States. It would require carriers to contract with virtually every provider, regardless of quality or fraud concerns, allowing providers to demand excessive rates. This could crash the marketplace and further increase costs.

## **Pharmaceutical Affordability: Weight loss drugs increasing healthcare costs**

- GLP-1 drugs are significantly increasing both pharmacy and overall healthcare costs, especially for weight loss indications.
- Premiums for health plans are rising in response to broader GLP-1 coverage and higher utilization.
- While there are some medical cost offsets for diabetics, affordability challenges remain acute for non-diabetic users and groups with weight loss coverage.
- The long-term potential for cost savings in non-diabetics is still uncertain, and current trends point to higher costs and premiums.

## **Alaska Cost Trends for Diabetes and Weight Loss Drugs**

- Diabetes is the #2 condition in Alaska for overall spend, with GLP-1 drugs like Ozempic driving substantial per-member-per-month (PMPM) costs.
- Weight loss drugs are the 4th highest spend category, with utilization up 88% over last year and a PMPM of \$9.59.
- Some Alaska groups with weight loss coverage are seeing over \$50 PMPM in GLP-1 drug spend alone, which is a major affordability concern.

## **Recommendations for Sustainable Affordability**

Policymakers should prioritize solutions that promote affordability, maintain broad provider networks, and ensure safe, effective, and financially sustainable care. Key recommendations include:

- **Maintain the repeal of the 80th percentile rule** to prevent cost inflation and support premium reductions.
- **Avoid artificial payment floors** that incentivize providers to leave networks and increase costs.
- **Reject overly restrictive network adequacy requirements** that could destabilize the marketplace and increase costs.
- **Support transparency tools** that help consumers make informed choices without undermining quality or network strength.
- **Promote prior authorization and other cost-control measures** to ensure safe, effective, and affordable care.
- **Incentivize value-based care arrangements** to align provider incentives with good patient outcomes.

## **Conclusion**

Affordability is the gateway to health care access in Alaska. Legislative changes that undermine affordability risk increasing costs, reducing access, and destabilizing the marketplace. Thoughtful, balanced policy is needed to protect Alaskans from rising health care expenses and ensure that quality care remains accessible to all.