

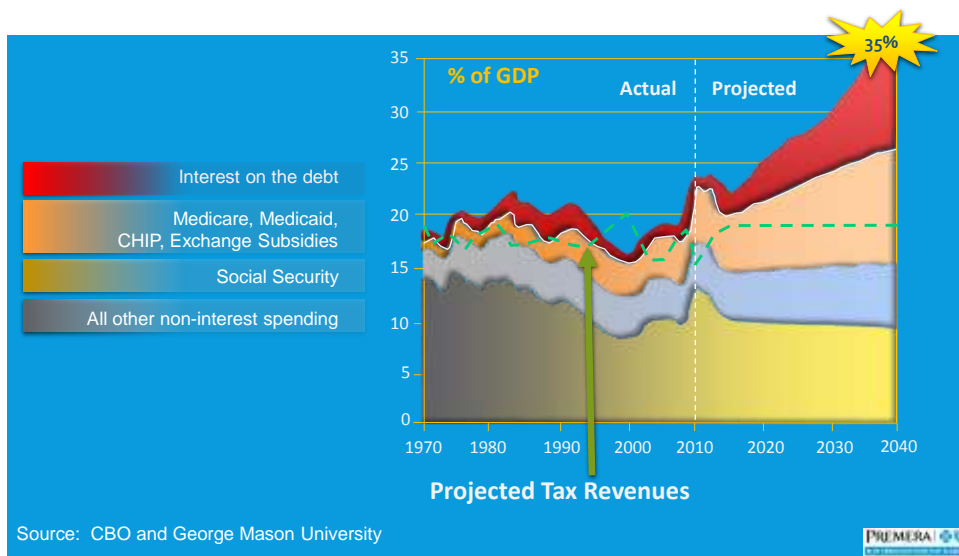
ADMINISTRATIVE REGULATION REVIEW COMMITTEE

Jeffrey W. Davis

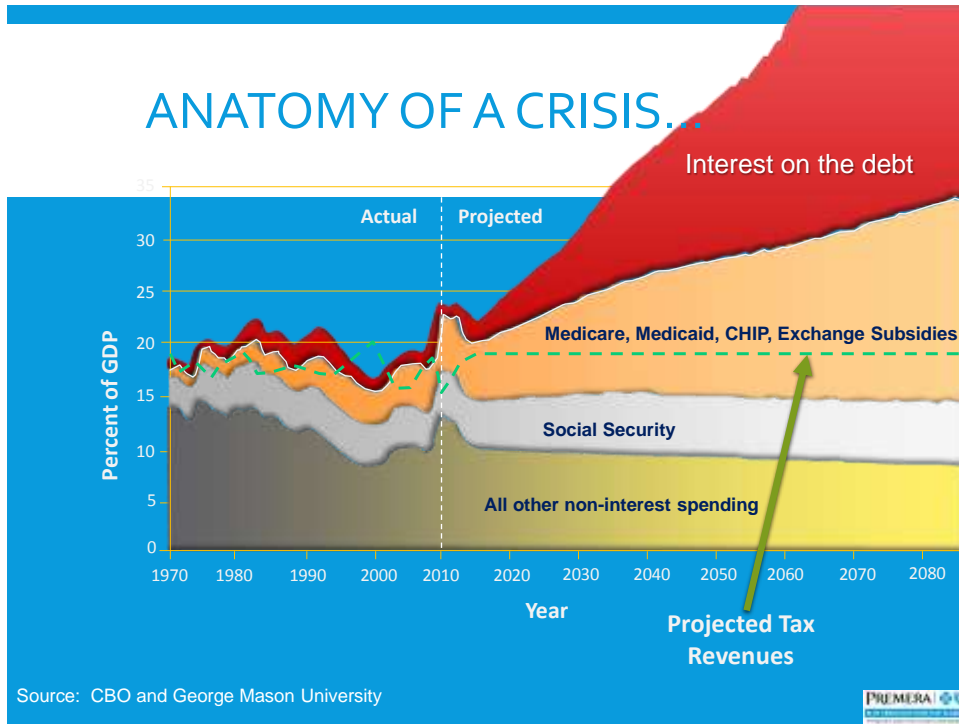
President, Premiera Blue Cross Blue Shield of Alaska

June 25, 2013

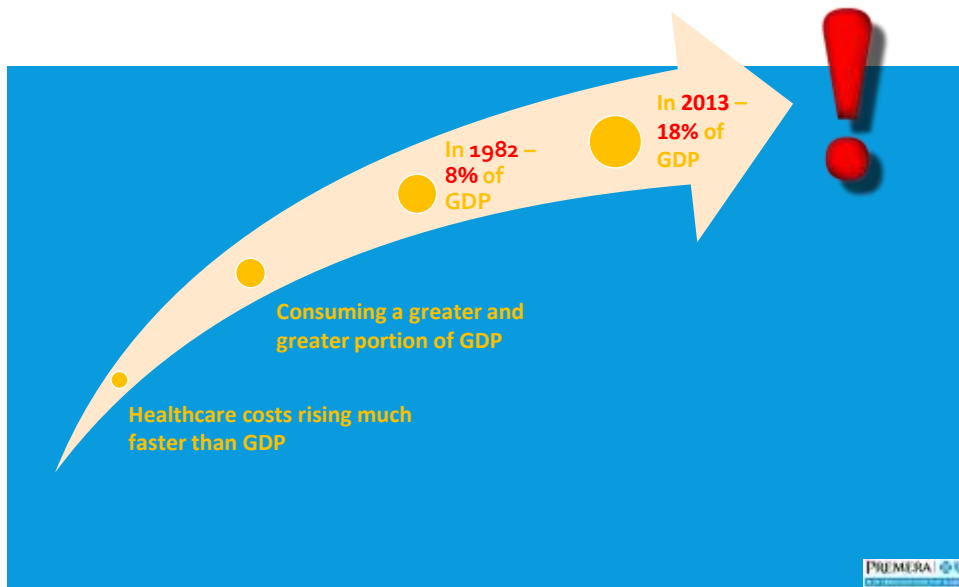
UNSUSTAINABLE?



ANATOMY OF A CRISIS...



UNSUSTAINABLE?



AK SPENDING COMPARED TO OTHER MARKETS

- AK Small group premiums - **\$650 PMPM**
- WA Small group premiums - **\$325 PMPM**
- Employers and individuals being **crushed** under the financial burden



WILL THE ACA FIX THIS PROBLEM?



Cost / Prices

January 1, 2014

- Guarantee issue
- No pre-existing condition waiting periods
- Federal subsidies in the exchanges
- Minimum essential benefits
- 11,000 pages of regulations and growing



THE HEALTH INSURANCE DOLLAR

From a dollar of premium to Premera:

- Administration – **6%**
- Premium Taxes and commissions – **2%**
- Profit – **1%**
- Healthcare – **91%**



WHERE DOES THE MONEY GO?

AK Division of Insurance approves rates

Standard – “adequate, but not excessive”

- Health care cost trends
- Administrative costs
- Contingency and risk charges

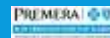
Reserves – not directly considered

- Reserves exist to cover the future healthcare needs of our clients



WHAT ARE INSURERS DOING ABOUT COSTS?

- Improve quality by reducing waste
 - 30-40% of care is "waste"
 - does no good and often does harm
 - \$1,000,000,000,000 opportunity
- Engage and empower consumers
 - Reward educated consumers
 - Choosing wisely
- Cost Transparency
- Integrated Health Management



WHAT ARE EMPLOYERS DOING ABOUT COSTS?

- Personal health status improvement
 - Robust, effective worksite wellness
- High deductible plans – with HSA/HRA
 - Moral hazard
 - 30% reduction in claims
- Cost transparency
- Worksite clinics
- Medical tourism



DELIVERY SYSTEM TRANSFORMATION

Empower Primary Care

- Additional pay for quality improvement/waste reduction
- Transparency tools
- Data



Global outcomes contracts

Provider led with carrier support



SUMMARY

- Status quo is unsustainable
- Affordable Care Act will not fix it
- Costs and quality are uneven
- We all have a role to play



QUESTIONS?