

Alaska's Individual Health Insurance Market: Reinsurance is a Path Forward to Achieve Sustainability

Background: Starting in 2014, under the Affordable Care Act, no individual is denied health insurance due to a medical condition. Prior to federal health reform, the Alaska Comprehensive Health Insurance Association (ACHIA), the state's high risk pool, offered coverage to individuals who were unable to obtain private coverage due to a medical condition. With guaranteed issue in 2014, many who had obtained coverage through ACHIA, as well as uninsured individuals who may have access to federal subsidies in the Exchange, are now purchasing coverage in the private individual market.

24,196 purchased individual policies (metallic plans) in 2015 in and out of the Exchange

Source: Division of Insurance
1/19/2016

Issue: High cost individuals resulting in significant rate increases

For 2015 and 2016, Premiera and Moda sought rate increases of almost 40% to account for high risk individuals in the private market. Two health insurers, Aetna and Assurant, exited the individual market by 2016, and there is still uncertainty in the marketplace. In 2014, Premiera lost over \$13 million in the individual market and is expecting similar losses for 2015.

The federal 3Rs (risk mitigation programs: risk adjustment, risk corridors, and reinsurance) are inadequate to spread the risk of these very high cost individuals in Alaska's small individual pool. Two of these programs are ending in 2016 signifying the need for a longer term solution to spread risk.

Alaska Solution: Achieve a stable and sustainable individual market and attract new competitors

A state-based reinsurance program will help mitigate the rate of premium increases in the individual market by spreading high costs across a broader population. The state implemented a similar program in 2013 to ensure that child-only policies were available in Alaska. The program was successfully administered by ACHIA.

The reinsurance program may be funded by the existing ACHIA assessment which is on insured plans (fully-insured group and individual policies and stop loss). This will help offset some of the high claims costs in the private individual market and help mitigate drastic swings in premium year over year.

Reinsurance program details will be established via regulations by the Division of Insurance and may be adjusted over time in a flexible manner to ensure individual market stability and affordability, while maintaining a balanced assessment.

Consequences to Consumers

Without such a program and given the current environment, premiums are likely to increase significantly next year which may cause more individuals to drop coverage due to lack of affordability. This will further exacerbate the downward spiral as only individuals needing treatment remain in the pool. The losses in the individual market may mean that consumers will have no options, impacting almost 30,000 Alaskans obtaining coverage in the individual market.