



## 80<sup>th</sup> Percentile Frequently Asked Questions

### What is the 80th percentile regulation?

This was a Division of Insurance regulation requiring insurance companies to pay out-of-network claims no lower than the 80th percentile of charges for the geographic area in which services are received. This is not the same as paying 80% of a bill.

### Which health plans did the 80th percentile regulation apply to?

The 80th percentile regulation only applied to out-of-network charges in private insurance plans. Private insurance plans make up roughly 15% of the insurance market in Alaska. The 80<sup>th</sup> percentile regulation did not apply to Medicare, Medicaid, Indian Health Services, VA, TriCare, or self-funded health plans.

### What is the Division of Insurance's role?

The Division is required by State statute to ensure private insurance plan premiums are not "excessive, inadequate, or unfairly discriminatory." The Division is required by law to disapprove insurance premiums which are excessive, as well as too low to cover anticipated medical claims.

### How do rates or premiums get set?

The division is required by Alaska's statutes to review all rate filings submitted by health care insurers. In this process, the division, utilizing independent actuaries, looks to paid claims, health care trends, anticipated number of enrollees, and the various financial documents of the insurer that establish financial solvency. The division must approve the filing provided that the rates are adequate, not excessive and not unfairly discriminatory.

### What federal rules apply to these plans?

The Affordable Care Act requires insurance companies to spend at least 85% of their revenues on insurance claims. If they spend less than that, they are required to reimburse the difference to their policy holders.

The No Surprises Act is a federal law prohibiting surprise bills for most emergency services, non-network services at an in-network facility, or from an air ambulance. It requires providers and insurers to negotiate bills and provide increased transparency to patients and insurance consumers. In addition, health care providers and insurers are obligated to provide good faith estimates of cost in advance of scheduled services.

### **Why did the Division repeal the 80<sup>th</sup> percentile regulation?**

Data has shown the 80<sup>th</sup> percentile regulation causes inflationary pressures on premiums. The State of Alaska is working on multiple fronts to control the cost of healthcare, repealing the 80<sup>th</sup> percentile was one part of that larger effort.

### **What else is the State doing?**

The Division has committed \$5 million to the Department of Health to examine Medicaid provider reimbursement methodologies. The Division also requested voluntary agreement from major insurance carriers in Alaska to leave in-network contracts at current reimbursement rates until the calendar year 2025 to protect providers. Additionally, the Division required insurance companies to provide their out-of-network payment calculation methodology to be submitted with their proposed premium rates for 2024. The Division is also meeting with providers and insurers to discuss alternative minimum reimbursement options since the 80<sup>th</sup> percentile regulation will no longer be in effect.

### **What can a consumer do if they feel they are being balance billed unfairly?**

The Division is authorized by State statute to review billing disputes in private insurance plans. Consumers can visit [File a Consumer Complaint \(alaska.gov\)](https://alaska.gov) to learn more about what the Division can do and access appropriate forms.

### **What can a provider do if they feel they are being reimbursed unfairly?**

The Division is authorized by State statute to review billing disputes in private insurance plans. Providers can visit [Provider Complaints \(alaska.gov\)](https://alaska.gov) to learn more about what the Division can do and access appropriate forms.