



Premera Market Performance FAQs

What procedures are in place to protect health care insurance consumers?

The Division of Insurance has a statutory obligation to approve or deny insurance rate filings based on the narrow criteria of whether they are excessive, inadequate, or unfairly discriminatory. The terms excessive and inadequate relate to the analysis of the insurers costs and losses—an insurer cannot set rates so high that their profits are excessive, nor can they set rates so low that the losses they will incur will risk the liquidity of the insurer.

The Division of Insurance conducts financial examinations every five years for insurers that are domiciled in Alaska. For insurers that are not domiciled in the state, such as Premera, the division can order an examination at the director's discretion.

Director Wing-Heier has called for a financial examination of Premera for 2014, 2015, and 2016 to independently verify the company's reports. The division hired Johnson & Lambert, an independent regulatory examiner, to review Premera's financial reporting, claim trending, paid and incurred claims, reserving practices, rate making formularies, actuarial practices and computation of risk adjustment in Alaska's individual health insurance market for the three-year period. The current examination is expected to conclude in early May 2017.

If the Division of Insurance reviews the rate filings each year, why do Premera's financials show a higher than expected net income for 2016?

Preliminary indications attribute the 2016 imbalance to 2014 and 2015 payments from federal risk transfer programs that were not paid to the company until 2016. The timing of these payments seem to account for the unexpectedly high 2016 net income. The financial examination has not shown any indication of an increase in executive compensation or other corporate expenses in 2016.

When the Division of Insurance reviewed the 2016 rate filings, they allowed for a contingency and reserve of 4.2% on Premera's Affordable Care Act individual market metallic plans (i.e., not including grandfathered or group plans). Initial review of Premera's 2016 financials shows a profit within the allowable rate. This is first time the company has not recorded a loss on Premera's individual market plans since the Affordable Care Act was enacted.

What recourse does the State of Alaska or consumers have?

While preliminary results do not indicate any abnormalities, if the Division of Insurance's financial examination uncovers any violations of statute, Premera may be subject to a fine.

Consumers could also receive a rebate on part of the premium paid if it is determined that the company did not meet its 80/20 targets for the year. The Affordable Care Act 80/20 Rule, sometimes known as Medical Loss Ratio, generally requires insurance companies to spend at least 80% of the

money they take in from premiums on health care costs and quality improvement activities. The other 20% can go to administrative, overhead, and marketing costs. If an insurance company does not meet these requirements, its consumers will be notified by August 1 that they will receive a rebate.

Can Premera make a rate adjustment for 2017?

Federal requirements under the Affordable Care Act prevent insurance companies from making rate adjustments mid-year for individual market plans, which is where the market performance is primarily focused.

Will this situation affect the Premera's 2018 individual and small group filings?

The division is confident that Premera will file to serve the Alaska individual and small group health insurance markets in 2018. Insurers must file their initial forms with the Division of Insurance by late-June; rate filings must be submitted by mid-July. Under Alaska law, rate filings are confidential until they are effective on January 1, 2018. However, initial proposed rate filing information will be available for consumers to review on healthcare.gov on August 1, 2017.

Consumers are encouraged to contact the Alaska Division of Insurance with questions or concerns regarding their health insurance coverage. To talk with a consumer services representative directly, call 269-7900 in Anchorage, or call the toll-free number 1-800-INSURAK outside of Anchorage.