

MEMORANDUM OF UNDERSTANDING

The State of Alaska, Department of Commerce, Community, and Economic Development, Division of Insurance (the "Division") and Premera Blue Cross ("Premera") (hereinafter collectively referred to as the "Parties") agree to the following regarding the Alaska individual market health insurance claims during the 2017 plan year. The terms and conditions of the Memorandum of Understanding ("MOU") are set forth below.

Background

Beginning in 2017, two of the federal risk mitigation programs under the Patient Protection and Affordable Care Act (ACA), including the federal reinsurance program, ended. Additionally, the insurer with the largest Exchange membership exited the market resulting in Premera becoming the sole health insurer in the individual market. As a result of these events, the relatively small size of the Alaska individual market and other factors, the state established the Alaska Reinsurance Program to reinsure state residents with certain high risk, high cost medical conditions, which commenced for the 2017 plan year.

When Premera set individual health insurance rates for the 2017 plan year, rates were based on the anticipated factors above. Consistent with federal and state requirements, Premera filed 2017 rates in July 2016 based on twelve months of claims experience and emerging data through May 2016. Market experience through March 2016 was also included. The Division did not find that the rates were excessive, inadequate, or unfairly discriminatory, in accordance with AS 21.51.405.

During the course of 2017, Premera found that health insurance claims filed by Alaska members were less than anticipated when it set rates for the year, and Premera informed the Division that it anticipated operating income in excess of the rate filing. To comply with the ACA, Premera was prohibited from re-filing rates when it recognized that market conditions were more favorable than expected. Premera has offered to reimburse the Alaska Reinsurance Program, and the Parties agree that the anticipated profit is not due to actions or omissions by Premera, but is the result of conditions in Alaska's individual health insurance market and the re-rating limitations of the ACA.

Terms and Conditions

The Division and Premera therefore agree as follows:

- (1) Premera agrees to make a payment in the amount of \$25M (Twenty-five million and 00/100 dollars) with the funds to be deposited into the Alaska Reinsurance Program fund, which is operated by the Alaska Comprehensive Health Insurance Association.
- (2) The Division agrees to direct the Alaska Comprehensive Health Insurance Association to use these funds solely for health insurance claims in the individual market.
- (3) The Parties agree to file documentation with the other Party no later than December 31, 2017 confirming satisfaction of the obligations, above.
- (4) This MOU is intended to be the entire agreement between the Parties. No amendment of this MOU shall be binding unless in writing and signed by the parties.
- (5) This MOU is not binding on the Parties unless and until it is signed and approved by all parties.

Dated: 11-27-2017

DIVISION OF INSURANCE

By: Lori Wing-Heier

Lori Wing-Heier
Director

Dated: 11/27/2017

PREMERA BLUE CROSS

By: Katharine Cramer

Katharine Cramer
Executive Vice President

Dated: 11/27/17

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