

Premera Blue Cross Blue Shield of Alaska- HHS Form Part II
Individual Metallic Products

Premera Blue Cross Blue Shield of Alaska (PBCBSA) is renewing eight existing metallic plans, discontinuing one federal standardized plan, and adding one new federal standardized plan. All plans will be sold on the Federally Facilitated Exchange.

Scope and range of the rate increase:

Premera currently has 19,032 members on metallic plans.

The 2024 average rate increase is 16.7%, which varies by plan from 15.1% to 17.5%. The rate increase is primarily due to medical and pharmacy costs and utilization inflation and renewal claims experience that is running more adversely than assumed in the current rates. Shown at the end of this document is the 3-year financial results. In 2022, Premera reported a financial loss of \$26.5M for this block.

The rate increase would have been 4.0% higher if not for the removing of the 80% UCR requirement for out-of-network (OON) providers. The savings assumed the proposed out of network reimbursement of 300% of CMS for ESRD claims and 185% of CMS for all other OON services. This matches the current reimbursement rates provided to out of network providers for our Washington book of business (outside of Alaska).

The other main contributors to the rate increase are the med/Rx claims trend of 9.4% and an 7.4% adjustment for the change in morbidity of members that choose to renew or purchase coverage with Premera.

Changes in benefits:

Premera proposed to change member cost share in 2024. All claims from the Participating providers will be accumulating toward the in-network deductible and out-of-pocket accumulators. Bronze 5800 HSA had a slight increase in out-of-pocket maximum (OOPM). Due to changes in the federal standardized plan options, the Standard Gold deductible will be lowered by \$500 and the Standard Silver's deductible and OOPM increased by \$100 and \$200. In addition, the federal standardized bronze option currently offered by Premera will be discontinued. For 2024 Premera will offer a Standard Bronze II plan based on the expanded bronze option. These changes impact the cost by 2.0% and accordingly lower the required rate increase.

Changes in Medical Service Costs:

For Premera's individual metallic business, the annual medical and pharmacy services cost inflation is expected to be 4.4% with an additional increase in utilization of services of 4.6% per annum.

Administrative costs and anticipated profits:

Premera is committed to using its members' rate dollar responsibly and consistently to pay out a high percentage of the members' rate dollar on medical claims. Premera expects to exceed the ACA's required Medical Loss Ratio (MLR) for this line of business in 2024.

Taxes and fees, including fees paid toward the Federally-Facilitated Exchange, account for 4.6% of the rate dollar in 2024.

The other administrative cost (Administrative Expense Load) account for 6.7% of premium which has decreased 0.2% since the prior year.

Due to the continued high volatility and risk in the individual business, a contingency and risk charge of 3.5% of premium is included in the rate.

Financial experience of the product:

The following is the financial performance for the past three years for this line of business. Experience including membership, revenue and claims have been restated since being reported in the annual statement. The earned premium includes premium ceded to the Alaska Reinsurance Program (ARP), and not retained by Premera. Therefore, the state reinsurance transfer is net of the revenue ceded to the ARP. The final 2022 Risk Adjustment and State ARP Net Transfer amounts have not been determined; at the time of filing CMS has not finalized the risk adjustment transfer amount and the re-calculation for the Alaska Reinsurance Program has not been performed. Risk adjustment for 2020 and 2021 includes the re-calculation true up for the ARP.

In 2022 Premera reported a loss in operating income of -\$26.5M as shown below. The operating income for 2020 does not include risk corridor payments received for the 2014 – 2016 policy year reported in the 2020 annual statement.

Calendar Year	2022	2021	2020
Restated Member Months	243,868	207,552	180,125
Restated Earned Premium	\$181,053,545	\$144,764,816	\$130,850,357
Restated Incurred Claims	\$263,211,478	\$217,247,394	\$155,950,094
Reported State ARP Net Transfer	\$75,929,268	\$61,036,227	\$61,856,595
Reported Risk Adjustment	\$3,989,957	\$1,576,905	\$0
Reported Operating Income	-\$26,476,030	-\$1,584,420	-\$12,129,990

Based on the rate increase in this filing, Premera expects to earn 3.5% operating income in 2024.