

**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 19,336 members on metallic plans.

The 2025 average rate increase is 16.3%, which varies by plan from 12.6% to 49.9% including migration from terminated plans. Renewing plans are increasing by an average of 14.2%. Due to federal regulations Premera is discontinuing one bronze plan. Members receiving the largest rate increase are being migrated from this bronze plan to a gold plan; due to a requirement they be mapped within the same product. These members will have an opportunity to re-enroll in a bronze plan with similar cost and benefits as the one being discontinued. 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 2023, Premera reported a financial loss of -\$12.3M for this block.

The rate increase would have been 6.2% 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 9.0% and an 8.8% 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 2025.

Due to changes in the federal standardized plan options, the Standard Gold out-of-pocket maximum (OOPM), will be lowered by \$900 and the Standard Silver's deductible and OOPM decreases by \$900 and \$1,100. The Preferred Bronze 5800 HSA increased the OOPM by \$800 to \$8,000, the Preferred Silver 4500 OOPM decreases by \$100 to \$7,100. Additionally for the non-HSA Preferred plans the first two Primary care office visit's copay is increasing \$1 to \$1. These changes impact the cost by 0.0% 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 4.1% with an additional increase in utilization of services of 4.3% 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 2025.

Taxes and fees, including fees paid toward the Federally-Facilitated Exchange, account for 3.7% of premium.

The other administrative cost (Administrative Expense Load) account for 6.3% of premium which is -0.3% higher than prior year.

Due to the continued high volatility and risk in the individual business, a contingency and risk charge of 2.5% 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 2023 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 2021 and 2022 include the re-calculation true up for the ARP.

In 2023 Premera reported a loss in operating income of -\$12.3M as shown below.

	<b>2024 Estimated<sup>(4)</sup></b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Restated<sup>(1),(3)</sup></b>				
Member Months		220,678	243,708	207,454
Earned Premium		\$187.8M	\$180.9M	\$144.7M
Incurred Claims		\$270.8M	\$262.6M	\$215.7M
<b>Reported<sup>(2)</sup></b>				
Revenue	\$205.9M	\$187.3M	\$172.2M	\$136.9M
Total Benefit Expense	\$178.8M	\$172.6M	\$174.8M	\$117.9M
Premium Taxes and Fees	\$10.1M	\$8.8M	\$8.0M	\$6.4M
Commissions	\$0.9M	\$1.0M	\$1.2M	\$0.9M
Net Operating Expense	\$17.2M	\$17.2M	\$15.1M	\$13.2M
Operating Income	-\$1.1M	-\$12.3M	-\$26.5M	-\$1.6M

**Notes:**

1. Restated values are based on when values are earned or incurred. They have been updated since being reported in the Annual Statement, e.g., including additional information and claims reported after the cutoff for the income statement.
2. Reported values are based on when values is realized for financial reporting according to GAAP accounting rules.
3. For rate development the restated values are used instead of reported values. This is because premiums should correspond with the expected associated cost for that contract period.
4. Since 2024 is not complete the reported values represent our projection for the current year.

Based on the rate increase in this filing, Premera expects to earn 2.5% operating income in 2025.