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

Premera Blue Cross Blue Shield of Alaska (PBCBSA) is renewing all eight existing metallic plans. All plans will be sold on the Federally Facilitated Exchange.

Scope and range of the rate increase:
Premera currently has 18,561 members on metallic plans.

The average rate increase for 2027 is 24.9%, with plan-level increases ranging from 17.4% to 28.2%. The increase is primarily driven by medical and pharmacy cost inflation, higher utilization, and claims experience that is more adverse than assumed in current rates. Three years of financial results, along with the estimated current year, are provided at the end of this document. In 2025, Premera reported a profit of $19,284,484 for this block but projects a loss in 2026.

The primary contributors to the rate increase are a 9.1% med/Rx claims trend and a 12.1% demographic adjustment for members who renew or purchase coverage with Premera. This demographic adjustment reflects reduced membership following the expiration of enhanced subsidies. Members with lower utilization are more price sensitive, resulting in a renewing pool with higher overall utilization.

Changes in benefits:

In order to meet compliance with the actuarial value and federal standardized plan design, Premera is changing member cost shares in 2027. The Preferred Gold and Alaska One Gold's deductible increased from $1,500 to $2,000, out-of-pocket maximum increased from $6,350 to $7,000 and primary care office visit copay decreased from $30 to $25; the Standard Gold's deductible increases from $2,000 to $2,500 and OOPM from $8,200 to $8,600; the Preferred Silver's deductible increased from $4,500 to $5,000 and OOPM increased from $8,100 to $8,900, primary care office visit increased to $30 copay, and specialist office visit copay increased to $65; the Standard Silver's deductible is increasing from $6,000 to $6,400 and OOPM from $8,900 to $10,300; the Preferred Bronze HSA's increased the OOPM from $8,000 to $8,500; the Preferred Bronze's deductible increased from $6,350 to $7,000 and OOPM increased from $8,700 to $10,000; the Standard Bronze's OOPM is increasing from $10,000 to $12,000.These changes impact the costs by -2.0%.

Changes in Medical Service Costs:
For Premera's individual metallic business, the annual medical and pharmacy services cost inflation is expected to be 4.7% with an additional increase in utilization of services of 4.1% per annum.

Administrative costs and anticipated profits:
Premera is committed to using members' premium dollars responsibly and directing a high percentage of premium revenue to medical claims. For this line of business, Premera expects to exceed the ACA's required Medical Loss Ratio (MLR) in 2027.

Taxes and fees, including fees paid toward the Federally Facilitated Exchange, account for 4.1% of premium.

The other administrative costs (Administrative Expense Load) account for 6.9% of premium which is 0.6% reduction from the prior year.

Given the continued volatility and risk in the individual market, the premium includes a 3.0% contingency and risk charge.

Financial experience of the product:
The following section summarizes the financial performance of this line of business for the past three years and includes an estimate for the current year. Experience, including membership, revenue, and claims, has been restated since the Annual Statement to reflect updated information, such as revenue earned and claims incurred during the year but paid in subsequent years. Earned premium includes revenue ceded to the Alaska Reinsurance Program (ARP) and therefore not retained by Premera. In contrast, reported revenue excludes ceded premium and includes non-premium revenue, such as Risk Adjustment transfers. Similarly, incurred claims include claims ceded to the ARP, while total benefit expense excludes reinsurance. The 2023 and 2024 results include the final ARP net reinsurance and risk adjustment after the recalculation by the ARP. Because the net reinsurance for 2025 is not yet known, an estimate has been included. Premera also estimated claims, reinsurance, and risk adjustment for the current year since 2026 reporting is not complete.

In 2025 Premera reported a profit in operating income of $19,284,484 as shown below. However, in 2026 we are projecting an operating income loss.

	2026 Est	2025	2024	2023
Restated [(1), (3)]				
Member Months		236896	224824	220947
Earned Premium		$262,809,580	$220,792,703	$188,012,807
Incurred Claims		$302,877,574	$258,331,121	$266,112,652
Reported [(2)]				
Revenue	$218,554,950	$255,240,558	$217,577,369	$187,309,406
Total Benefit Expense	$201,210,929	$207,519,343	$147,683,571	$172,624,619
Premium Taxes and Fees	$10,267,005	$8,725,695	$9,450,018	$8,778,831
Commissions	$1,027,507	$1,140,365	$1,158,325	$1,016,385
Net Operating Expense	$22,840,492	$18,570,670	$16,904,090	$17,178,539
Operating Income	-$16,790,983	$19,284,484	$42,381,365	-$12,288,968

Notes:

1. Restated values incorporate information received after the Annual Statement income statement cutoff, such as revenue earned and claims incurred during the year but paid the following year.
2. Reported values reflect amounts recognized for financial reporting under General Accepted Accounting Principles.
3. For rate development, restated values based on earned or incurred dates are used instead of reported values based on paid dates because premiums should correspond to the expected costs for the applicable period.
4. The reported values for 2026 are estimated from the year to date reporting.

Based on the rate increase in this filing, Premera expects to earn 3.0% operating income in 2027.