


**Recommendation Form for the
2015 Transition to Employee Choice
Due to HHS June 2, 2014 for FF-SHOP States**

Instructions: Please fill out the following form and attach your recommendation for a one year transition to employee choice including an evidence-based assessment of the full landscape of the small group market in your State.

State: Alabama

Insurance Commissioner (signature):



**Jim L. Ridling, Commissioner
Department of Insurance
State of Alabama**

Please adequately explain that it is in your expert judgment, based on a documented assessment of the full landscape of the small group market in your State that the 2015 Transition to Employee Choice would be in the best interest of small employers and their employees and dependents, given the likelihood that implementing employee choice would cause issuers to price their products and plans higher than they would otherwise price them. Please base your recommendation on discussions with those issuers expected to participate in the SHOP, including naming those issuers, and keep your recommendations specific to 2015 since this is a one year transitional policy.

Please see attached letter.



ROBERT BENTLEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

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May 29, 2014

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health & Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Sebelius:

I am writing to advise that it is my recommendation that the Federal Marketplace SHOP in the State of Alabama provide a one-year transition in the implementation of employee choice. In my judgment, the current market dynamics in Alabama will not support employee choice at this time. Therefore, this one-year transition in the implementation of employee choice in the Federal SHOP for our state would be prudent for the reasons outlined below.

We anticipate only one insurer participating in the Federal SHOP for 2015. We have received no filings on the state side which would indicate otherwise. To further support our request, the Department of Insurance interviewed the three dominant insurers in our state that would be most likely to participate in the Federal SHOP. Two of the three issuers have informed us that they do not plan on participating in the Federal SHOP for 2015. In my judgment, having just one company in the Federal SHOP is hardly a sufficient number of issuers to allow for meaningful plan choice. There is simply not enough market participation in the SHOP market for Alabama to allow for employee choice at this time.

The Department's research shows that if other issuers elect to offer plans in the Federal SHOP before the start of open enrollment, those companies would increase rates to address potential adverse selection and higher administrative cost in most markets. These costs could be disproportionately borne by small employers that purchase insurance regardless of whether or not they participate in the SHOP.

In light of the above, the lack of adequate market participation and higher potential costs for small employee choice and implementation risks, I believe that this one-year transition in the implementation of employee choice for the Federal Marketplace SHOP would be in the best interest of small businesses and their employees and the least disruptive to consumers in our state.

If you have any further questions or would like to discuss this issue further, please do not hesitate to contact me. I look forward to hearing from you.

Sincerely,

Jim L. Ridling
Commissioner of Insurance