



## LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON  
COMMISSIONER

Via electronic mail to [shop@cms.hhs.gov](mailto:shop@cms.hhs.gov)

June 3, 2014

The Honorable Kathleen Sebelius  
Secretary  
Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, DC 20201

RE: Employee Choice in the SHOP Exchange Addendum

Dear Secretary Sebelius,

On May 29, 2014, Louisiana Insurance Commissioner James J. Donelon requested that the Federal SHOP Marketplace in Louisiana delay the implementation of the Employee Choice model for one year. In that request, the Louisiana Department of Insurance inadvertently omitted naming the health insurance issuers that the department had consulted regarding that request. In requesting the delay of the implementation of the Employee Choice model, the department consulted HMO of Louisiana, Louisiana Health Service and Indemnity Company, the Louisiana Health Cooperative, Aetna, Coventry Health Care of Louisiana, United Health Group, and Humana. Although not all of the named issuers might participate on the SHOP Marketplace, each issuer was requested to provide advice either directly or through their governmental affairs consultants.

Please let me know if any further information is needed.

Sincerely,



Korey Harvey  
Deputy Commissioner  
Office of Health Insurance

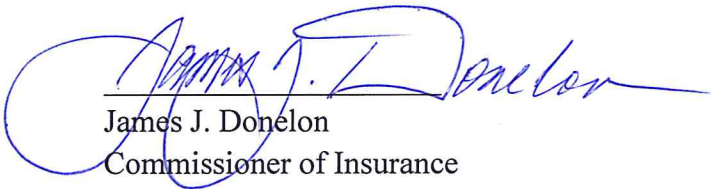
**Recommendation Form for the  
2015 Transition to Employee Choice  
Due to HHS June 2, 2014 for FF-SHOP States**

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**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: Louisiana**

**Insurance Commissioner (signature):**

  
James J. Donelon  
Commissioner of Insurance

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.



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON  
COMMISSIONER

Via electronic mail to [shop@cms.hhs.gov](mailto:shop@cms.hhs.gov)

May 29, 2014

The Honorable Kathleen Sebelius  
Secretary  
Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, DC 20201

RE: Employee Choice in the SHOP Exchange

Dear Secretary Sebelius,

It is my recommendation that the option for the 2015 Transition to Employee Choice be exercised for issuers participating on the SHOP Exchange in Louisiana. After consultation with issuers and with actuaries deeply familiar with the status of the health insurance market in Louisiana, I believe a transition to employee choice for 2015 is in the best interests of employers, employees, and their dependents. Based on information obtained from issuers, it is my opinion that implementing the employee choice model in Louisiana in 2015 would lead to higher plan costs, increased utilization, and adverse selection.

Employee choice among significantly different plan designs causes selection risk and drives increased medical costs because enrollees with ongoing medical conditions or anticipated elective procedures will choose more expensive benefit plans while enrollees who do not anticipate such expenses will often choose lower premium, lesser benefit plans. As a result, issuers will anticipate higher medical costs, and thus will increase health insurance rates anywhere from 2% - 7%, and postponement of such increased costs is desirable. Furthermore, because QHPs offered on a SHOP Exchange must also be offered outside of an Exchange and are subject to the single risk pool requirement, higher rates attributable to the employee choice model will have an impact on consumers market-wide.

In addition to higher rates due to the risk of adverse selection, issuers will have higher administrative costs due to the complexity of administering plans in an employee

Hon. Kathleen Sebelius  
May 29, 2014  
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choice model. Prior attempts at such models, including the Massachusetts Connector, struggled for several years to provide an employee choice exchange option only to ultimately abandon that model for a more traditional employer choice model. Conversely, given that issuers have yet to determine or inform me as to whether they will participate in the SHOP Exchange in 2015, there is also the possibility that issuers may withdraw from the SHOP Exchange if the employee choice model is implemented, which would harm consumers by reducing any meaningful choice among plans and issuers. For the foregoing reasons, it is my recommendation that the SHOP Exchange in Louisiana exercise the transition to employee choice for the 2015 plan year. I would be happy to supply more information regarding this recommendation upon request. Please do not hesitate to contact my office with concerns or for clarifications.

Sincerely,

A handwritten signature in blue ink, appearing to read "James J. Donelon", is written over a printed name and title. The signature is fluid and cursive, with a large initial "J" and "D".

James J. Donelon  
Commissioner of Insurance