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Kevin J. Counihan
Chief Executive Officer, Health Insurance Marketplaces
Director, Center for Consumer Information & Insurance Oversight
Department of Health & Human Services
200 Independence Avenue SW
Washington, DC 20201

VIA EMAIL: shop@cms.hhs.gov

Dear Director Counihan:

Thank you for allowing the Alabama Department of Insurance to recommend a position on expanding selection options to incorporate "vertical choice" within the Small Business Health Options Program (SHOP) for the 2017 plan year.

The "HHS Notice of Benefit and Payment Parameters for 2017" describes vertical choice as a design where a small business owner may choose a carrier on the SHOP and each employee can select any plan from that carrier regardless of cost.

The Alabama Department of Insurance believes that vertical choice introduces significant adverse selection with a resultant increase in claim costs. We also expect that the small group market would experience significant rate increases for all consumers as a result of the additional cost generated by vertical choice. Further, we believe that to introduce vertical choice would add complexity and confusion to the SHOP process, while creating additional administrative challenges.

With regard to the above, this Department respectfully recommends that the HHS not require vertical choice within the FF-SHOP in the State of Alabama. We would be pleased to discuss this matter with you and/or your staff at any time.

Sincerely,

Jim L. Ridling
Commissioner