



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
LANSING

PATRICK M. McPHARLIN
DIRECTOR

March 25, 2016

Via Email: shop@cms.hhs.gov

The Honorable Sylvia Mathews Burwell, Secretary
U.S. Department of Health & Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Re: Vertical Choice in Michigan

Dear Secretary Burwell:

In the 2017 Payment Notice and subsequent guidance, CMS granted states the ability to annually recommend its Federally-facilitated SHOP (FF-SHOP) not make vertical choice available, where vertical choice is defined as the ability of an employer to choose from any available plan from a single issuer. After a survey of issuers and a review of the expected impact, Michigan requests that CMS not implement vertical choice for the 2017 plan year.

Michigan's SHOP marketplace has generated little interest from employers. While vertical choice may make the SHOP marginally more attractive, it will add administrative complexity which will be borne by all small group employers. Even if SHOP enrollment were to increase with vertical choice, many believe it will lead to adverse selection and higher rates across the small group market.

Based on the above assessment, it is my opinion that vertical choice in the FF-SHOP in Michigan would not be in the best interest of Michigan's small employers, their employees and dependents.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick M. McPharlin".

Patrick M. McPharlin,
Director