

March 24, 2016

via electronic delivery to shop@cms.hhs.gov

The Honorable Sylvia Mathews Burwell
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Re: Recommendation to not implement vertical choice in North Carolina for the 2017 Plan Year

Dear Secretary Burwell:

This letter will serve to provide my recommendation that the Federally-facilitated SHOP (FF-SHOP) **not** implement the vertical choice employee choice model contemplated in the HHS Notice of Benefit and Payment Parameters for 2017. This recommendation to not implement the vertical choice model is based upon our discussion with the single health insurance issuer that is expected to file an application with HHS to participate in the FF-SHOP for the 2017 plan year, and who has been the only issuer to participate in the FF-SHOP since inception. The issuer that is expected to file an application is BlueCross BlueShield of North Carolina (BCBSNC). BCBSNC has indicated that the addition of vertical choice in 2017 will lead to adverse selection, resulting in higher rates for 2017 and beyond. BCBSNC indicates “Adding choice across metal levels on the SHOP in 2017 would lead to more adverse selection and short revenue recovery than allowing choice of plans with a metal level, resulting in higher rates for SHOP medical issuers. The requirement to charge the same premium on or off SHOP necessitates spreading the load for employee choice models across the block, which would create a price disadvantage for SHOP medical issuers relative to issuers that choose to – and are able to – sell off exchange only.” The company goes on “Moreover, implementing vertical employee choice would create additional operational complexity and risks for SHOP medical issuers which have the potential to result in negative consumer impacts for all insurance customers of issuers participating on the SHOP (not just their SHOP or just small group customers).” I agree with BCBSNC’s comments and the potential for negative impact upon insurance consumers in North Carolina.

Therefore, based upon the information and input provided by the issuers expected to participate on the SHOP, and the review of the issues by this Department, I recommend that it is in the best interest of North Carolina’s small employers and their employees and dependents to not implement vertical choice in North Carolina for the 2017 Plan Year.

Sincerely,

A handwritten signature in blue ink that reads "Wayne Goodwin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Wayne Goodwin

NC Insurance Commissioner

Cc: Brad Wilson, President & Chief Executive Officer, Blue Cross and Blue Shield of North Carolina
Dean Mohs, FF-SHOP Director, CMS/CCIIO