

**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: South Dakota

Insurance Commissioner (signature): 

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.



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June 2, 2014

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

Re: Recommendation for Transition of Employee Choice

Dear Secretary Sebelius,

I am writing to advise that it is my recommendation that the Federally-Facilitated SHOP provide for a one-year transition to employee choice in South Dakota. Our deadline for submission of rates and form filings for issuers seeking to write in the FF-SHOP is June 15, 2014, which is after the June 2, 2014 deadline imposed for our response regarding this matter. As such, this recommendation is based upon our discussion with health insurance issuers that are expected to participate in the FF-SHOP in 2015. There are four issuers that are expected to file applications with HHS to participate in the FF-SHOP in South Dakota in 2015: (1) Avera Health Plans (2) S.D. State Medical Holding Company - DBA as DakotaCare (3) Sanford Health Plan (4) Wellmark Blue Cross Blue Shield of South Dakota. Of these four, all have indicated that they would have to increase their prices if employee choice were to be implemented. They cited a variety of factors in their response to our inquiry, including increased premiums, likelihood of adverse selection and higher administrative burdens that would increase costs as a result of the implementation of employee choice. We share the concerns raised by these insurers and the impact that they could have on the small employers and their employees and dependents that are seeking to participate in the FF-SHOP.

We believe it is in the best interest of small employers and their employees and dependents to delay employee choice by one year given the likelihood that implementation of employee choice would result in issuers pricing their products and plans higher than they otherwise would price them for the majority of QHP issuers that are expected to participate in the FF-SHOP during the 2015 plan year. It is difficult to quantify the exact premium impact due to limited claims data and not ever having a market exposed to employee choice. We believe it is important to delay in order to fully understand the experience due to the ACA, which may not be until second quarter 2015, which further supports the position to delay.

As such, I am recommending that HHS implement the 2015 Transition of Employee Choice for the FF-SHOP serving South Dakota. This transition will be the least disruptive to South Dakota consumers and health insurance issuers, who are continuing to adjust to the numerous changes occurring as a result of the ACA.

Sincerely,

A handwritten signature in black ink, appearing to read 'Merle D. Scheiber', is written over a light blue horizontal line.

Merle D. Scheiber
South Dakota Insurance Director

Cc: Dennis Daugaard, Governor