



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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BILL HASLAM
GOVERNOR

JULIE MIX McPEAK
COMMISSIONER

March 24, 2016

Dean Mohs
SHOP Director
Centers for Consumer Information
and Insurance Oversight (CCIIO)
Via E-Mail: dean.mohs@cms.hhs.gov

Dear Mr. Mohs:

The Tennessee Department of Commerce and Insurance (TDCI) appreciates the flexibility provided to states to opine on whether to permit “vertical choice” in the Federally Facilitated SHOP (FF-SHOP) for the plan year beginning on January 1, 2017. After careful consideration, and following deliberation with the sole insurance carrier participating in our FF-SHOP, TDCI recommends that the “vertical choice” function not be accessible in Tennessee for 2017.

As you know, the FF-SHOP is a young marketplace, providing new functionality to small employers, including the ability to offer employees “horizontal choice” among an actuarial value level of coverage. In Tennessee, for the 2016 plan year, only one carrier has elected to participate in the FF-SHOP. This carrier has several dozen employer groups with a few hundred employees represented in the FF-SHOP block of business. The last thing the TDCI wants to do is ultimately make health insurance coverage more expensive for small employers. At this time, given the relative lack of maturity in the FF-SHOP market, the lack of competition in our FF-SHOP market, and the overall low enrollment in FF-SHOP plans, TDCI is concerned that the FF-SHOP marketplace could be negatively impacted by a few shock claims should vertical choice be accessible for 2017.

For the reasons highlighted above, TDCI recommends that CCIIO not implement “vertical choice” in our FF-SHOP for the 2017 plan year. The Department recognizes that this recommendation is made for the 2017 plan year only and appreciates the opportunity to revisit the issue with another year of experience.

Sincerely,

A handwritten signature in blue ink that reads "Julie Mix McPeak".

Julie Mix McPeak
Commissioner