

**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: Montana

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.

See attached letter

COMMISSIONER OF SECURITIES & INSURANCE

MONICA J. LINDEEN
COMMISSIONER



OFFICE OF THE MONTANA
STATE AUDITOR

June 2, 2014

The Honorable Kathleen Sebelius,
Secretary
U.S. Department of Health and Human Services
200 Independence Ave, SW
Washington, D. C. 20201

Re: Recommendation for Transition to Employee Choice

Dear Secretary Sebelius:

I recommend that the federally facilitated SHOP operating in Montana implement a one-year transition to employee choice in 2015. There are three insurers participating in the SHOP in 2014 and my staff interviewed representatives from all three of those companies. I believe that choice is important for all consumers, including employees of small employers. However, keeping rates affordable is always the paramount concern. Competition in the marketplace is an important factor in maintaining affordable premiums.

The two insurers with the largest market share expressed significant concerns with implementing employee choice in the FF-SHOP in Montana in 2015. The third insurer expressed concern only about the third item below.

The concerns centered on the following issues:

- 1) Adverse selection against certain insurers based on issues related to provider network differences, plan design and other factors. Insurers expressed that the fear of adverse risk selection in the SHOP will cause them to raise rates higher in anticipation of that concern. Those insurers state that the type of choice available in the SHOP leaves them with few opportunities to control adverse risk selection.
- 2) One issuer specifically stated that it may "drop out" of the SHOP if choice were implemented next year. Any reduction in SHOP issuer participation is very concerning to me. Fewer insurers in the SHOP results in less choice, not more, and may increase rates in the SHOP. Since the SHOP is the only mechanism under which a small employer may obtain a federal tax credit, I want to maintain

as much insurer participation/choice as possible in the SHOP. Fewer issuers in the SHOP may also adversely impact the rates because of reduced competition.

- 3) Administrative complexity and IT readiness are a top concern of all three insurers. The SHOP website has not begun testing yet. Splitting a small group premium payment between multiple insurers is administratively complex and may add cost to the premium at a critical time when the SHOP and other reforms under the ACA are still in a fledging state.

I would also add some other observations on this topic for future consideration. At least two insurers expressed a preference for a different type of choice—where employers would choose one insurer and then employees could choose different metal levels and plans offered by that insurer. These insurers believed that it was easier to manage any possible adverse selection under that choice scenario, as opposed to one where employees could choose different plans from different insurers. In addition, those insurers are already offering or will be offering soon, that type of choice in the small group market outside the SHOP. One insurer stated that employers were not interested in “multiple insurer” choice for their employees because it was more administratively complex for that small employer. For instance, if an employer receives health plan complaints from their employees or has a problem with accounting for premium payments, that employer would have to deal with multiple insurers with different systems, instead of just one. Small employers have limited staff available to deal with these kinds of complexities. Multiple insurers for one small employer group increases those complexities.

Because of the concerns expressed above and based on my expert judgment as the insurance commissioner for the state of Montana [45 CFR 155.705], I believe that delaying employee choice in the SHOP until 2016 is in the best interest of the small employers and their employees. Higher rates, less insurer choice and possible difficulties with operational readiness are not in the best interest of Montana businesses. Should Health and Human Services accept my recommendation to delay employee choice for one year, the Montana Office of the Commissioner of Securities and Insurance, an effective rate review state, will ensure that SHOP insurers are not factoring employee choice into their prices for the 2015 plan year.

Thank you for seeking the input of state insurance commissioners on this very important issue

Sincerely,



Monica J. Lindeen
Commissioner of Securities and Insurance