

**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: North Carolina



Insurance Commissioner (signature):

**Wayne Goodwin
NC Insurance Commissioner**

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.

NCDOI Response: See attached.

Via electronic mail delivery to shop@cms.bhs.gov

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 to Employee Choice

Dear Secretary Sebelius:

This letter will serve to provide my recommendation that the Federally-facilitated SHOP (FF-SHOP) provide a one-year transition to employee choice in North Carolina. This recommendation for a one-year waiver 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 2015 plan year. The issuer that is expected to file an application is BlueCross BlueShield of North Carolina (BCBSNC), and you may note that the company participated in both the Federally-facilitated Marketplace (FFM) and FF-SHOP during the 2014 plan year. BCBSNC has indicated that the addition of employee choice in 2015 will lead to adverse selection, resulting in higher rates for 2015 and beyond. Additionally, BCBSNC notes that the financial risks associated with the adverse selection cannot be fully diminished by risk adjustment programs –issuers pricing in the early years reflects the many unknowns about the effectiveness (and the long-term viability) of such programs, and will do so until some experience under the programs becomes available. Lastly, BCBSNC notes that implementing employee choice will create additional operational complexity and risks that have the potential to be detrimental to consumers of all issuers participating on the SHOP (not just SHOP or just small group customers). The Department believes the concerns raised by BCBSNC have merit and we agree that implementing employee choice in the FF-SHOP in North Carolina in 2015 would not be in the best interest of North Carolina's insurance consumers.

In addition to the points above, since North Carolina had only one issuer participate on the FF-SHOP for 2014, and there is no expectation of additional participation in 2015, the Department questions whether there is meaningful choice among Qualified Health Plans (QHPs) when all of the QHPs are issued by the same issuer. Without additional issuer participation leading to broader employee choices, we believe that requiring employee choice is not justified and will increase costs for small employers and their employees needlessly.

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 small employers and their employees and dependents to delay employee choice for one year given the likelihood that employee choice will increase costs for consumers and therefore be detrimental to the insurance market in North Carolina.

Approval of my request for a one-year waiver will allow our issuers and small employers the transition they need to adjust to the promised on-line FF-SHOP without the risk of the expected negative impact from the anti-selection that employee choice will introduce.

Sincerely,



Wayne Goodwin
NC Insurance Commissioner

Cc: J. Bradley Wilson, President and Chief Executive Officer, Blue Cross and Blue Shield of North Carolina