

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Consumer Information and Insurance Oversight  
200 Independence Avenue SW  
Washington, DC 20201



July 18, 2016

VIA ELECTRONIC MAIL: [louis.gutierrez@state.ma.us]

Mr. Louis Gutierrez  
Executive Director  
Commonwealth Health Insurance Connector Authority  
100 City Hall Plaza  
Boston, MA 02108

Dear Mr. Gutierrez:

I am writing to follow up on the meeting between Governor Baker and Secretary Burwell in Washington, D.C. on May 18, 2016. During that meeting, the Governor requested a one-year extension of the transition period originally granted in 2013 to the Commonwealth of Massachusetts regarding the use of small group rating factors currently permitted under state law that are disallowed under the Affordable Care Act.

As you are aware, on May 25, 2015 the Department of Health and Human Services (HHS) provided the Commonwealth with an extension through policy years beginning before January 1, 2018 of the transition period for eliminating the small group market rating factors. On June 16, 2015, CMS subsequently sent you a letter modifying the timeline of the extension granted.

As Section 1321(e) created a transition period for Exchanges to come into compliance with the standards of the Affordable Care Act, we conclude that it is appropriate to continue to afford issuers in Massachusetts with a transition period for meeting the rating requirements. As such, and per the Governor's request, we are modifying the above mentioned extension as follows:

- For policy years beginning on or after January 1, 2014, but before January 1, 2017, small group market issuers may use 2/3 of the disallowed rating factors;
- For policy years beginning on or after January 1, 2017, but before January 1, 2019, small group market issues may use 1/3 of the disallowed rating factors;
- For policy years beginning on or after January 1, 2019, small group market issuers must be in full compliance with the rating rules under Public Health Service Act section 2701.

As we have previously indicated, to strike a balance between providing transition relief consistent with section 1321(e) of the Affordable Care Act, and promoting fair premiums, as

contemplated by section 2701 of the Public Health Service Act, the transition period in Massachusetts must be limited. While we therefore cannot provide indefinite or permanent relief from the market rating requirements under the Affordable Care Act, we have determined that a final one-year extension of the transition period is appropriate. We therefore expect that small group market issuers in Massachusetts will be in full compliance with the rating rules under Public Health Service Act section 2701 for policy years beginning on or after January 1, 2019.

Please call me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Christen Linke Young', with a long horizontal flourish extending to the right.

Christen Linke Young

Principal Deputy Director, Center for Consumer Information & Insurance Oversight