



*The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
100 City Hall Plaza
Boston, MA 02108*

CHARLIE BAKER
Governor

KARYN POLITO
Lieutenant Governor

MARYLOU SUDDERS
Board Chair

LOUIS GUTIERREZ
Executive Director

September 8, 2017

The Honorable Thomas Price, M.D.
Secretary
Department of Health & Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

RE: Massachusetts Request for Flexibility Regarding State-Based Rating Factors in Small Group Market

Dear Secretary Price:

I am writing to you to request your assistance in promoting affordable health care for small employers in the Commonwealth of Massachusetts. As a state, we appreciate the support of our federal partners as we explore opportunities to mitigate the rising costs of commercial health insurance in the Commonwealth. To that end, I am writing to respectfully request that the Department of Health and Human Services (HHS) consider extending the transition period previously granted to Massachusetts to use merged market rating factors currently permitted under Massachusetts law.

As you know, health care costs continue to be a pressing concern, despite important progress in coverage gains, and our market's long-standing stability has begun to show signs of erosion in the face of external factors, such as uncertainty surrounding Cost Sharing Reductions (CSRs), higher pharmaceutical spending, and the wind-down at the end of 2016 of the federal reinsurance program. We take seriously the importance of market participants and regulators using the tools available to them to mitigate the impact of such dynamics.

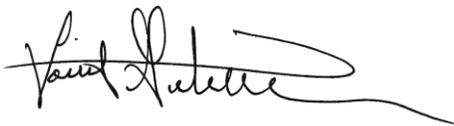
In Massachusetts, the Baker-Polito Administration is keenly interested in innovative approaches curbing the rising cost of health care. As you know, through our state Medicaid program and in partnership with your team at CMS, we are working to reform the way care is delivered to achieve savings through better health outcomes. In addition, through our unique State-Based Marketplace program, ConnectorCare, we are able to largely insulate the moderate to low-income individuals and families that purchase commercial health insurance through the Health Connector via a competitive procurement approach that yields savings to those enrollees and others in the merged market. However, for small businesses continuing to offer group coverage to their employees in Massachusetts and for business that we want to draw into the ranks of those making offers of commercial group coverage, we must do more.

I appreciate the flexibility HHS has provided us to date under ACA Section 1321(e), which provides a presumption of compliance for Massachusetts given its history of state reform, and its recognition of our success in expanding coverage, to continue to allow use of state based rating factors at the state's option.

Given the risk of destabilization facing our merged market in Massachusetts at this time, I respectfully request HHS consider an additional extension of the use of these factors. With the decrease in use of the factors since 2014, some small businesses in Massachusetts have disproportionately experienced increases in premiums. As currently authorized, use of the factors, currently being permitted at reduced levels, is slated to expire at the end of plan year 2018. This expiration would be expected to result in further premium increases for some small business owners and their employees, and introduces new variables into a market where we wish to promote stability and consistency, and exercise state discretion.

In light of the other market conditions facing our market, I respectfully request that you grant Massachusetts the ability to continue use, at its option, of state-based rating factors. I appreciate your continued support and assistance and look forward to our continued work together to achieve affordable, accessible health care for Massachusetts residents.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Louis Gutierrez", with a long, sweeping underline.

T. Louis Gutiérrez
Executive Director
Commonwealth Health Insurance Connector Authority