

February 2, 2016

The Honorable Sylvia Matthews Burwell  
Secretary  
U.S. Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

*via email, fax & U.S. mail:*  
TIME SENSITIVE

**RE: North Carolina's Health Insurance Markets and the Affordable Care Act**

Dear Secretary Burwell:

Thank you for the opportunity to provide feedback to you relating to North Carolina's health insurance markets and the Affordable Care Act. This letter is a follow-up to the observations I provided to you in-person at the National Association of Insurance Commissioner's meeting late-November in Washington, DC. I will elaborate on some of the issues we discussed and introduce some new concerns and observations.

*Insurer Consolidation/Mergers and Market Withdrawals*

As the state's independently-elected Insurance Commissioner, I am concerned with the impacts of insurer withdrawals and consolidations on the health insurance markets in North Carolina. According to my staff, North Carolina had 29 insurers offering individual health insurance coverage prior to the ACA. For 2016, North Carolina has only 8 insurers who still issue such coverage and a handful of others who provide transitional and/or grandfathered coverage only. Similarly, for the small group market, North Carolina has gone from 27 insurers offering coverage to just 10 in 2016.

North Carolina has also experienced consolidations, resulting in just a few remaining groups of health insurers operating in the state. In a group, each insurer offers similar products and pricing, so North Carolinians are left with fewer distinct coverage options than before the consolidations.

The reasons for these withdrawals and consolidations are difficult to pin-point. However, anecdotal evidence suggests insurers have left health insurance markets in droves due to the increased burdens of the ACA. The regulation of insurance should promote a balanced environment in which policyholders are protected and insurers can offer quality products at fair prices. The ACA has apparently had a negative impact upon that balance in North Carolina as evidenced by the decline in the number of insurers and insurer groups operating in the state.

*Insurer Service Area Reductions*

North Carolina's largest health insurer, Blue Cross and Blue Shield of North Carolina, chose to reduce its plan offerings in several areas of the state for the 2016 plan year after experiencing a \$123 million operating loss in 2014 and continued poor emerging experience in 2015. The insurer also eliminated the availability of its broadest network plans in those areas, relegating thousands of North Carolina consumers to narrow-network plans.

The reduction in plan availability is not unique to our largest insurer or to the individual market. From 2015 to 2016, the total number of plans available from insurers in the two markets went from approximately 1,700 plans to 683 plans. All three of North Carolina's qualified health plan insurers reduced the number and types of plans offered on the exchange, as well as the areas in which they are available, for 2016.

Given the large losses of our insurers in the individual health insurance market in 2014 and 2015, I am highly concerned insurers may withdraw from the individual market in North Carolina altogether. That is unacceptable.

Currently, some North Carolina consumers have only one insurer as a choice for individual health coverage on or off the exchange. If that insurer stops offering coverage in those counties, some North Carolinians will have no access to health insurance at all. We have heard through the press that UnitedHealthcare—one of three QHP insurers in North Carolina—may withdraw from participation on the exchanges. This would mean even further loss of choice for North Carolinians and possibly higher insurance costs. Neither of those potential results is acceptable.

Insurers cannot continue to have annual losses in the hundreds of millions and be expected to continue "business as usual."

*Insurer Reductions/Eliminations of Commissions*

The leadership of the North Carolina Association of Health Underwriters has expressed grave concerns to me about the impact of insurers reducing or eliminating commissions on health insurance products, especially individual health insurance coverage. These agents informed me that with almost no insurers in the individual market paying commissions, agents fear they are forced to abandon the sale of individual products.

Agents and brokers serve a critical need and help educate consumers about health insurance and their options. The federal navigators, in-person assisters and certified application counselors are helpful, but they do not replace the statewide representation and expertise of our agent community. And if agents are not being compensated for the service they are performing, how can they continue to afford to provide the service? No other service provider would be expected to provide a service free of charge.

I believe the reduction in commissions can be directly tied to the exchange and the medical loss ratio requirement. Insurers are being asked to squeeze more and more administration out of the same percentage of premium to accommodate for system upgrades, increased reporting, special enrollment periods, and other expectations and requirements. One of the first places insurers looked to decrease their administrative expenses was in the area of agent commissions. I believe it is also possible that insurers have reduced or eliminated commissions for on-exchange individual products to reduce their share of subsidized business, which is generally a group with poorer-than-average health insurance experience.

Ultimately, consumers are left without assistance from experienced, well-trained and educated insurance professionals when making individual health insurance choices. That is unacceptable as well.

In closing, I believe it is necessary for me to raise my voice on these concerns. I strongly encourage HHS/CMS/CCIIO to open a dialogue among stakeholders, particularly state regulators, to discuss these issues and try to develop solutions that work for the States, not solely the federal government, and that provide the strongest consumer protections and re-build our private health insurance market. I am confident the issues I have outlined are not entirely unique to North Carolina, and having discussions with all of the states could lead to better solutions for everyone.

I welcome the opportunity to discuss these issues in more detail with you and offer the assistance of the North Carolina Department of Insurance in addressing these paramount issues in conjunction with our federal counterparts.

Sincerely,



Wayne Goodwin  
North Carolina Commissioner of Insurance

c: John Huff, President  
National Association of Insurance Commissioners  
(via email)