

April 30, 2014

President Barack Obama
The White House
1600 Pennsylvania Ave, NW
Washington, DC 20500

Dear Mr. President:

We are writing on behalf of the National Association of Insurance Commissioners (NAIC) to thank you for your hospitality when we met on April 17th to discuss several important issues related to implementation of the Affordable Care Act (ACA). Among those issues was a request to work together to ensure that we minimize any unintended consequences of the law in the territories. We would like to thank you for requesting that HHS Secretary Sebelius and CMS Administrator Tavenner investigate what steps the federal government might take to help alleviate the problems facing the territories.

As the NAIC has consistently told federal policymakers, and as you have argued, the implementation of the ACA's insurance market reforms are unsustainable without a requirement that all individuals obtain insurance coverage and without sufficient subsidies to make that coverage affordable to low- and moderate-income individuals. Unfortunately, the insurance markets of the territories, where there is no requirement to obtain coverage and offered subsidy levels are insufficient, now provide an illustration of this principle. In the United States Virgin Islands and several other territories, health insurance in the individual market is no longer available, as all insurers have ceased issuing new policies. In several small group markets, premiums are rising at an unsustainable rate, with increases between 33-50%. We are including with this letter a copy of a report adopted last October by the NAIC's *Health Insurance and Managed Care (B) Committee* that explains these difficulties in greater detail.

Without prompt action by the federal government to provide additional flexibility to the territories to implement the ACA in a way that recognizes their unique situations, the ability of many residents of the U.S. territories to meet critical health care needs will be significantly reduced, if not eliminated. One solution that is endorsed by NAIC members representing the U.S. territories is a broader extension of the administration's transitional relief policy that currently allows existing health insurance policies to be renewed through October 1, 2016. The extension of this transitional policy would permit new sales of health insurance policies, in addition to the renewals that are currently permitted, only in those U.S. territories that choose to allow them. This approach would provide the breathing room these unique markets need until they can determine the most effective way to implement the ACA going forward. We believe that this approach is well within the authority already asserted by your Administration under *Heckler v. Chaney* to delay implementation of provisions of the statute when immediate implementation is not technically feasible.

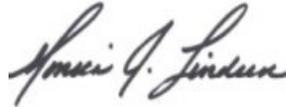
In addition to premium increases due to the market reforms, the territories are also concerned about the impact of the annual fee on health insurance providers imposed by section 9010 of the ACA. This excise tax, which is likely to increase premiums by up to three percent, helps to fund premium tax credits and cost-sharing reductions that residents of the territories cannot receive under the ACA. We ask for an opportunity to discuss this issue with HHS and the IRS to determine if the impact on the territories can be ameliorated through administrative and/or legislative means.

We look forward to working with your Administration and stand ready to provide whatever assistance we can to quickly resolve these problems together.

Sincerely,



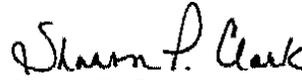
Adam Hamm
NAIC President
North Dakota Insurance Commissioner



Monica J. Lindeen
NAIC President-Elect
Montana Commissioner of Securities & Insurance



Michael F. Consedine
NAIC Vice President
Pennsylvania Insurance Commissioner



Sharon P. Clark
NAIC Secretary-Treasurer
Kentucky Insurance Commissioner



Senator E. Benjamin Nelson
Chief Executive Officer
National Association of Insurance Commissioners

Cc: Hon. Kathleen Sebelius, Secretary of Health and Human Services
Hon. Marilyn Tavenner, Administrator, Centers for Medicare and Medicaid Services
Dr. Mandy Cohen, Interim Director, Center for Consumer Information and Insurance Oversight
Hon. Denis McDonough, Chief of Staff to the President
Ms. Valerie Jarrett, Senior Advisor to the President

Enclosure