BILL HASLAM
GOVERNOR
STATE OF TENNESSEE

December 10, 2012

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

Dear Secretary Sebelius:

The purpose of this letter is to respond to your approaching deadline of December 14, 2012, and inform you that Tennessee will not be pursuing a state-based insurance exchange in 2014.

As you know, I firmly believe the Patient Protection and Affordable Care Act (PPACA) was the wrong approach to addressing our nation's healthcare challenges, and I remain very concerned about its impact on Tennesseans and our healthcare marketplace. However, given the PPACA requirement that an insurance exchange be operational in every state by 2014, my administration has taken a thoughtful approach to considering each of the options presented to us, and I have strived to put Tennesseans in the best possible position in light of the sweeping changes imposed by this law. At this point in time I do not believe we have been given the information or control necessary for the state to assume the responsibility of operating an exchange.

I did not come to this decision lightly. My intention has always been to minimize federal intrusion and retain as much control as possible at the state level, and I know if given the proper latitude Tennessee could operate an exchange in a more efficient and cost effective manner than the federal government. However, after studying all of the guidance we have received to date – including the more than 800 pages of draft rules that have been issued since the November election – it has become apparent that the federal government is calling all the shots and has important decisions still pending. There would be significant risk involved with taking on an exchange while your department is still developing the rules of the game or if the federal government is ultimately going to control the most important levers.

I cannot say for certain that we would retain enough control over the elements needed to run the exchange efficiently or be permitted to customize it in ways that will make a meaningful difference to Tennesseans. Moreover, we still do not have enough information about each of the three options – state, federal, and partnership models – to weigh them against each other and make a truly informed decision.

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Although we are declining to set up a state-based exchange, my administration intends to continue to be just as aggressive in pushing for changes to ensure that Medicaid eligibility determinations remain tight and to minimize the impact to our individual and small group markets. States have been put in an incredibly difficult position by this law, but on every issue and decision that comes with it I will continue to work hard to find the best answer for the people of Tennessee.

Sincerely,

Bill Haslam
Governor

cc: Cindy Mann, Director, Center for Medicaid and CHIP Services
Gary Cohen, Director, Center for Consumer Information and Insurance Oversight
Paul Dioguardi, Director of Intergovernmental and External Affairs, HHS