



of Tennessee

1 Cameron Hill Circle
Chattanooga, Tennessee 37402
bcbst.com

JD Hickey
President & CEO

May 9, 2017

Commissioner Julie Mix McPeak
Tennessee Department of Commerce & Insurance
500 James Robertson Parkway #5
Nashville, Tennessee 37245

Dear Commissioner McPeak,

We appreciate getting to meet with you and your team yesterday to update you on BlueCross's position relative to the individual Marketplace for Tennessee as the first deadline for 2018 approaches.

As we discussed, BlueCross's journey to get and keep people covered under this program has proven challenging, with three consecutive years of volatility and losses totaling more than \$400 million. I'm pleased to report that, though still very early, our 2017 performance has improved due to a combination of better claims experience and a more sustainable rate structure based on the medical needs of the members we're serving.

With this in mind, I want to confirm that BlueCross is willing to serve the Knoxville region in the 2018 individual Marketplace.

Again, I want to stress that our openness to this action is in no way a political decision. Nor is it a reflection of our perspective on the stability of individual Marketplace overall. In fact, we can't justify doing so based solely on current political uncertainty, but instead we believe it is an extension of our mission to serve our fellow Tennesseans, especially those who do not have other options for coverage. As you know, BlueCross made a similar decision for 2017 when we intentionally elected to stay in five of eight Marketplace regions to ensure every region had at least one coverage option, and none was left uncovered.

Given the potential negative effects of federal legislative and/or regulatory changes, we believe it will be necessary to price-in those downside risks, even at the prospect of a higher-than-average margin for the short term, or until stability can be achieved. These risks include but are not limited to the elimination of Cost Sharing Reduction subsidies (CSRs), the removal of the individual mandate and the collection of the health insurer tax.

As we discussed, we will request flexibility related to the requirement to serve a majority (51%) of the rating areas year over year, specifically with respect to adding Knoxville to our existing five region footprint. And, while we hope this is unnecessary, we reserve the right not to sign our QHP agreement in September in the event of any post-bid changes that destabilize the market and affect our risk exposure.

With our past losses and the continued uncertainties associated with the individual Marketplace, we are not willing to consider expanding our current footprint in 2018 beyond the addition of the Knoxville region, as the other geographies are currently covered by other carriers. We believe this fiscally conservative approach to limit our risk profile in this market continues to be in the best interest of all the members BlueCross serves across all lines of our business.

Finally, I want you to reiterate that BlueCross's decision is a direct reflection of our confidence in the expertise and judgment of you and your team. We appreciate all of your efforts to help achieve some measure of stability for consumers and carriers alike in a most challenging market.

I'll ask our team to schedule another visit soon to discuss our thoughts for 2018 in more detail and how best to move forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD Hickey', with a stylized flourish at the end.

JD Hickey
President & CEO