



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Eloy S. Inos
Governor

Jude U. Hofschneider
Lieutenant Governor

October 21, 2013

The Honorable Kathleen Sebelius
Secretary
US Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

Dear Secretary Sebelius:

The purpose of this letter is to notify your department that the CNMI has elected not to participate in a Health Insurance Exchange (Exchange) program pursuant to Section 1323 (b)(1) of the Affordable Care Act (ACA).

While it is the goal of the Exchange to provide value, choice, competition, transparency and affordability to consumers, the applicability of the exchange in the CNMI's market is not feasible. Considering that the CNMI has a limited number of carriers, unlike the mainland US, and a small consumer base, participation in the Exchange will have the opposite effect as it would in a larger market base with a wider competitive landscape.

The CNMI intends to fully participate in and comply with applicable provisions of the ACA. In doing so, the CNMI created a Health Reform Core Team (HRCT) to evaluate and assess the implementation and the Exchange. In this process, the HRCT raised several areas of concern relative to the CNMI's participation in an Exchange. These concerns include the following:

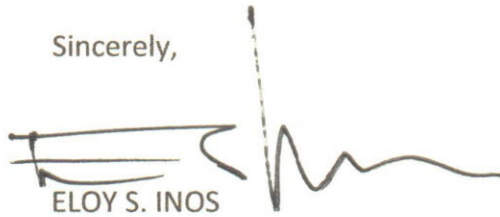
- 1) The CNMI was unable to avail of the Exchange Planning Grant funds and thus was unable to determine whether participation in the Exchange would be sustainable past 2019.
- 2) Due to the absence of the individual and employer mandate in the CNMI, the participation in an Exchange would not serve the purpose as intended, as consumers

face no penalty for not having health insurance. As such, the Exchange would serve no more than for informational purposes only. As outlined in your December 10, 2012 letter, it was clear through HHS that the implementation of a mirrored tax structure for provisions of the individual & employer mandates was a choice to be implemented through local decision, which the CNMI has not opted to do.

- 3) Due to the challenges associated with the absence of the individual & employer mandate provisions in the CNMI, in addition to the CNMI's unique market demographics, the CNMI has significant reservations on its ability to fund the Exchange past the Allocation period under Section 1323 of the ACA.

As previously discussed, the CNMI fully intends to participate within the applicable provisions of the ACA. It is our intent to maintain open lines of communication with your office and request your support to ensure success in this program.

Sincerely,



ELOY S. INOS
Governor