



STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR
P.O. BOX 001
TRENTON
08625
(609) 292-6000

CHRIS CHRISTIE
GOVERNOR

February 15, 2013

The Honorable Kathleen Sebelius
Secretary
United States Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Secretary Sebelius:

I write to inform you that New Jersey will not participate in a State Partnership Exchange for Plan Year 2014. As I have previously stated, New Jersey is committed to complying with the Affordable Care Act, but only in a manner that is the most efficient and effective for the residents of New Jersey, and the businesses that will carry the costs of this new program. New Jersey enjoys a respected reputation as a national leader in both health treatments and healthcare coverage. Our unique system of regulation ensures that plans provide consumer choice and predictability of coverage. Combined with an enviable network of world-class resources, including seventy acute-care hospitals, renowned research laboratories, and state-of-the-art medical education, New Jersey residents rightfully expect excellence in healthcare. Implementing the federal Affordable Care Act through a Partnership Exchange does not meet that standard.

As you know, New Jersey has already taken numerous significant steps to comply with this federal mandate. In December of last year, New Jersey selected an Essential Health Benefits Benchmark plan as required under the Act. In addition, New Jersey has successfully implemented "NJ Protect," a federally subsidized health insurance program for individuals with pre-existing health conditions. NJ Protect, which enrolled its first policyholders in August 2010, was the product of a cooperative effort with your Department and designed to the unique needs of New Jersey citizens. The program currently enables more than 1,400 New Jerseyans facing serious illnesses such as cancer and heart disease to obtain affordable health insurance and access to the care they need.

New Jersey is also in the final stages of modernizing our Medicaid and social service eligibility and information systems to work with your federal exchange through our new Consolidated Assistance Support System (known as "CASS"). CASS will allow state caseworkers to enter information for an applicant and then automatically determine his or her eligibility for Medicaid and NJ FamilyCare, the Supplemental Nutrition Assistance Program, Work First New Jersey, and other social service programs. When fully operational, CASS will support one-stop shopping for New Jerseyans who qualify for our most-used social service programs.

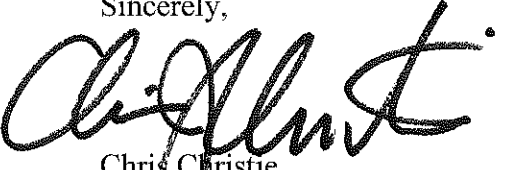
Moreover, in 2011, the U.S. Department of Health and Human Services, through the Center for Consumer Information and Insurance Oversight, certified New Jersey as operating an "Effective Rate Review Program" in all insurance markets. This certification, which ensures New Jersey's compliance with the Affordable Care Act, confirms that rates charged to consumers are reasonable. Likewise, my Administration successfully negotiated with your Department to preserve affordable individual health insurance options in New Jersey until federally subsidized health insurance coverage takes effect next year. Currently, more than two-thirds of the roughly 145,000 persons covered by individual health insurance in New Jersey have "Basic and Essential" coverage. These policies, designed for younger residents requiring fewer health services, offer cost-effective solutions with lower premiums. The changes imposed by the Affordable Care Act threatened the continuation of this program because the annual limits on payments for certain services conflicted with the federal mandate. In response, New Jersey's Individual Health Coverage Program Board successfully negotiated a blanket waiver that allows state insurance carriers to continue writing Basic and Essential coverage through 2013. This waiver avoided the lamentable consequence of eliminating the State's most popular and affordable individual health insurance option more than three years before federally subsidized coverage was scheduled to become available.

Finally, in October 2012, in an effort to preserve New Jersey's Medicaid program for the State's most vulnerable, New Jersey received approval for our Comprehensive Medicaid Waiver. This waiver allows New Jersey to move forward with bold and innovative Medicaid reforms that creatively merge compassionate and effective care options with long-term cost reductions for State and federal taxpayers. Included in the Waiver are initiatives that promote home and community-based care; integration of primary, acute, long-term, and behavioral health care; the creation of a pilot demonstration project to modernize hospital subsidies by improving service quality; and support for families with private third-party insurance through Health Insurance Premium Payment Assistance. In all, these changes, along with our shift to managed care, have begun to positively impact important health decisions, eliminate duplicative services, and improve health outcomes at a reduced cost. As a result of my Administration's initiatives, New Jersey is one of the few states that advanced Medicaid reform without affecting eligibility, imposing co-pays, or cutting optional services.

As we move towards open-enrollment on the new, federally designed and operated Exchange, my Administration looks forward to working with your Department as you begin implementing this next phase of the federal healthcare mandate. To facilitate our work, I have designated the Commissioner of the New Jersey Department of Banking and Insurance to serve as the coordinator with the U.S. Department of Health and Human Services on matters regarding the federally operated Exchange. The Director of the Division of Medical Assistance and Health Services in the New Jersey Department of Human Services will also serve as my liaison on eligibility determination and coordination for the Medicaid Program and Children's Health Insurance Program.

I remain committed to ensuring that all New Jerseyans have access to the best healthcare options supported by the most effective insurance coverage. Federal operation of the Exchange is the most responsible choice for meeting those goals.

Sincerely,



Chris Christie
Governor