



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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BILL HASLAM
GOVERNOR

JULIE MIX McPEAK
COMMISSIONER

February 7, 2013

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

Dear Secretary Sebelius:

As you know, I believe the Patient Protection and Affordable Care Act (PPACA) was the wrong approach to address our country's health care problems, and my concerns about its impact have only grown stronger as the governor's administration has studied its anticipated effects on Tennessee and has prepared for the deadlines you have established.

Today I am writing in regard to the published requirement that states select a rating area prior to February 15, 2013. I wish to inform you that after reviewing the information provided to date, I have decided to select a rating area for the State of Tennessee to minimize PPACA's rate shock impact and effects on the residents of Tennessee.

The Public Health Service Act § 2701(a)(2) and the proposed federal regulations found in 77 Fed. Reg. 70584, 70612 (Nov. 26, 2012) require each state to establish one or more rating areas within the state. If a state does not establish one or more rating areas, then the Secretary of the Federal Department of Health and Human Services (HHS) will establish a rating area for this State. Under the proposed federal rule 77 Fed. Reg. 70584, 70612 (Nov. 26, 2012) (to be codified at 45 CFR § 147.102(b)(3)(ii)), the Secretary of HHS would use the default provision and create one rating area for the State of Tennessee if this State does not create its own rating areas.

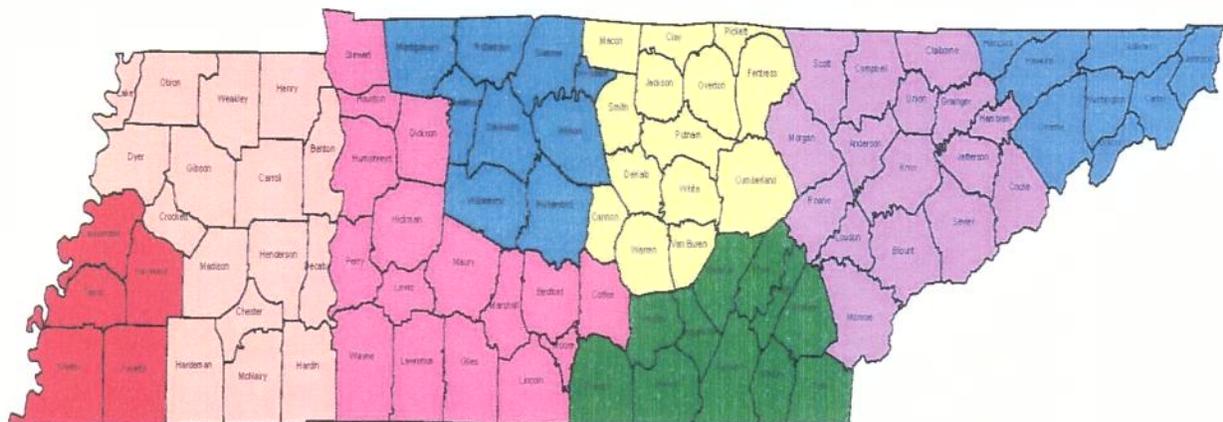
Currently, Tennessee law permits insurers to establish their own rating areas. Forcing all of the health insurers licensed to do business in Tennessee to use one single rating area will cause significant disruptions to the health insurance market in this State above and beyond the disruptions caused by PPACA.

As such, consistent with the recommendations of our actuaries, Tennessee stakeholders and Tennessee insurance companies, and with CCIIO’s express preference in the final exchange rule, the State plans to align the eight service areas with the rating areas in Tennessee. Notwithstanding the default mentioned above, we propose to align the eight service areas with eight rating areas in Tennessee.

The eight rating and service areas are defined as follows:

Table 1. Rating and Service Areas

1-East	2-Greater Knoxville	3-Greater Chattanooga	4-Greater Nashville	5-West	6-Greater Memphis	7-East Central	8-West Central
Carter	Anderson	Bledsoe	Cheatham	Benton	Fayette	Cannon	Bedford
Greene	Blount	Bradley	Davidson	Carroll	Haywood	Clay	Coffee
Hancock	Campbell	Franklin	Montgomery	Chester	Lauderdale	Cumberland	Dickson
Hawkins	Claiborne	Grundy	Robertson	Crockett	Shelby	DeKalb	Giles
Johnson	Coke	Hamilton	Rutherford	Decatur	Tipton	Fentress	Hickman
Sullivan	Grainger	Marion	Sumner	Dyer		Jackson	Houston
Unicoi	Hamblen	McMinn	Trousdale	Gibson		Macon	Humphreys
Washington	Jefferson	Meigs	Williamson	Hardeman		Overton	Lawrence
	Knox	Polk	Wilson	Hardin		Pickett	Lewis
	Loudon	Rhea		Henderson		Putnam	Lincoln
	Monroe	Sequatchie		Henry		Smith	Marshall
	Morgan			Lake		Van Buren	Maury
	Roane			Madison		Warren	Moore
	Scott			McNairy		White	Perry
	Sevier			Obion			Stewart
	Union			Weakley			Wayne



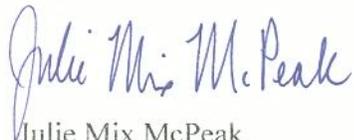
The Honorable Kathleen Sebelius

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Further, the department intends to define "small group" to include 2 to 50 persons, the largest number allowable under PPACA. Meetings were held with insurers and TennCare to discuss the implication of these designations and all supported this size for small groups.

Sincerely,

A handwritten signature in blue ink that reads "Julie Mix McPeak". The signature is written in a cursive, flowing style.

Julie Mix McPeak

Commissioner of Insurance

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