

March 11, 2021

Jeffrey D. Grant  
Acting Director  
Center for Consumer Information and Insurance Oversight (CCIIO)  
200 Independence Avenue SW  
Washington, DC 20201

Dear Mr. Grant:

In response your February 8, 2021, letter seeking input from the National Association of Insurance Commissioners (NAIC) on the definition of “geographic regions” for regulations implementing the No Surprises Act, we provide the following recommendations:

- 1) The geographic regions for a state are defined as the corresponding Individual and Small Group Market Geographic Rating Areas (geographic rating areas) provided for by the Market Rules and Rate Review Final Rule (45 CFR Part 147).

Our reasoning for recommending the use of the corresponding geographic rating areas is as follows:

- While the geographic rating areas are not used in the large group and self-funded market for pricing, they are widely known and well-defined. There is significant overlap between the carriers that offer coverage in the small group and in the large group and self-funded markets, so most carriers are familiar with them even if they do not use them for all product pricing.
- The geographic rating factors should only reflect differences in the cost of delivery, which can include both unit cost and provider practice pattern differences. Geographic rating factors may not reflect differences in morbidity by region. Most states recognized that because of these restrictions, they would need to establish geographic rating areas that at least somewhat recognized the actual differences in provider costs. Most of these differences are captured in segmentation of the state by urban vs rural, and combinations of the geographic rating areas generally can be bifurcated this way. There is some expectation that two hospitals within the same metropolitan area would request similar reimbursement for a service, but that a rural hospital may require higher reimbursement compared to a metropolitan hospital.
- The default geographic rating areas for each state are the Metropolitan Statistical Areas (MSAs) plus the remainder of the state that is not included in an MSA. States that have provided actuarial justification to CMS for a different approach must have demonstrated how they will reflect significant differences in health care unit costs by rating area, lead to stability in rates over time, apply uniformly to all health insurance issuers in a market, are based on one or more geographic boundaries described previously, and are not unfairly discriminatory. The number of geographic rating areas is based on the number of MSAs in a state +1, although a state could request more

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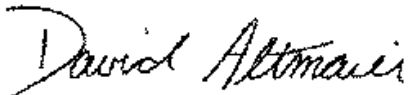
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rating areas with actuarial justification. This generally works out to one geographic rating area for each major metropolitan area in the state, plus one for the combined rural areas in the state. Most states opted to use counties rather than MSAs, but most still grouped the counties around the metropolitan areas and then combined the rural areas into one area.

- 2) However, if a state has defined geographic regions within any surprise billing laws or regulations, the state may use these defined regions for the purpose of defining “geographic regions” as it relates to the No Surprises Act.
- 3) Also, a state may request approval from the Secretary of HHS for an alternate methodology to be used to define “geographic regions”.

We hope you find these recommendations helpful. Let us know if you have any questions or would like further information on how we reached these recommendations.

Sincerely,

A handwritten signature in black ink that reads "David Altmaier". The signature is written in a cursive, flowing style.

**David Altmaier**  
NAIC President  
Commissioner  
Florida Office of Insurance Regulation