

Consumer Operated and Oriented Plan (CO-OP) Program

Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
Department of Health and Human Services



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Agenda

- Overview and Mission of CO-OP Program
- Program Guidance
- Changes to Eligibility
- Changes to Program Standards
- Application and Review Criteria
- Additional Information

Overview

- The ACA (Section 1322) created the Consumer Operated and Oriented Plan (CO-OP) program to foster the creation of new consumer-governed nonprofit health plans.
- To encourage the establishment of a CO-OP in each State, the program has a \$3.4 billion appropriation to subsidize loans for eligible prospective CO-OPs.
- The CO-OP program will provide Start-up Loans and Solvency Loans to eligible nonprofit organizations.

Mission of the CO-OP Program

- To foster the creation of new, consumer-governed nonprofit health plans that will:
 - Operate with a strong consumer focus and greater plan accountability and
 - Provide high quality, low cost, coordinated care.
- CO-OPs will enhance competition in the Exchanges and provide additional plan choices for consumers and small businesses.

Advisory Board Recommendations

The Advisory Board focused on four major priorities in the award of loans:

- (1) Consumer operation, control, and focus must be the salient feature of the CO-OP and must be sustained over time;
- (2) Solvency and financial stability of coverage must be maintained and promoted;
- (3) To the extent feasible in local provider and plan markets, CO-OPs should encourage greater care integration and promote payment incentives to improve efficiency and quality;
- (4) Loans should be distributed by the end of 2011/early 2012 to maximize CO-OPs' opportunity for competitive success and ability to repay loans.

CO-OP Program Guidance

CO-OP Final Rule

- Released in December, 2011
- General guidance on eligibility, CO-OP standards, and loan terms
- Available at: <http://www.regulations.gov>
- Incorporates policy changes based on comments received from the proposed rule

Funding Opportunity announcement (FOA)

- Released on July 28, 2011 (amended on September 16, 2011 and December 9, 2011)
- Guidance on eligibility, applications, review and selection criteria, and award administration
- Available at: <http://www.grants.gov> (CFDA # 93.545)
- Applications will be received quarterly through December 31, 2012

Key Changes in the Final Rule

The Final Rule clarifies the following:

- Organizations sponsored by pre-existing issuers, holding companies that control pre-existing issuers, and foundations established by pre-existing issuers are not eligible for award of CO-OP program loans;
- A CO-OP may receive grants and other funding from a State or local government as long as the CO-OP or its sponsor is not controlled by a governmental entity; and
- CO-OPs that will operate in multiple States may establish a State of domicile for licensure and file expansion applications to achieve licensure in other States.

Eligible Applicants

- To be eligible for the CO-OP program, an applicant must:
 - Be a nonprofit member organization and
 - Intend to become a CO-OP.
- An applicant is ineligible if:
 - The organization, a sponsor of the organization, a related entity, or a predecessor of the organization or related entity was licensed as an insurance issuer on or before July 16, 2009 (referred to as a “pre-existing issuer”);
 - The organization or a sponsor of the organization is a foundation established by a pre-existing issuer, a holding company that controls a pre-existing issuer, or a trade association that represents the interests of the health insurance industry; or
 - A State or local government is involved in the development, creation, or organization of the CO-OP and provides 40% or more of the CO-OP’s total funding (excluding loans from the CO-OP program).

Area of Operation

- Applicants may apply to form CO-OPs that will operate:
 - Locally,
 - State-wide, or
 - In multiple states.

Consumer Governance

1. Every member of the CO-OP's Board of Directors must be elected by a majority vote of a quorum of the CO-OP members age 18 and above.
 - Director positions vacated due to resignation, death, or removal may be filled without an election.
2. A majority of the Board of Directors must be members of the CO-OP.
3. One vote per seat for each CO-OP member age 18 and above.
4. No representative of any government or pre-existing issuer may serve on the Board of Directors.
5. Each CO-OP may solicit candidates for the board who bring health insurance experience and expertise.

CO-OP Profit Standards

Surplus revenue must be used to:

- Lower premiums;
- Improve benefits;
- Improve the quality of health care delivered to its members;
- Repay loans awarded by the CO-OP program; and/or
- Accumulate reasonable and sufficient reserves to provide for enrollment growth, financial stability, and stable coverage for its members.

CO-OP Licensing Requirements

- CO-OPs must meet the same State requirements as all other similarly-situated health insurance issuers.
 - CO-OPs operating in multiple States may establish a State of domicile for licensure and file expansion applications to achieve licensure in other States.
- CO-OPs are responsible for working with the relevant State Departments of Insurance or licensing agency to achieve licensure.
- Prior to providing health care coverage in the new Affordable Insurance Exchanges, CO-OPs and all other health insurers will have to meet State and Federal requirements to participate in the Exchanges.

CO-OP Standards for Health Plan Issuance

- Market of Operation: A CO-OP must issue 2/3 of contracts in the individual or small group markets.
- A CO-OP must offer at least one qualified health plan in the individual Exchange at each of the silver and gold benefit levels within 36 months of receiving a Start-up Loan or 1 year of receiving a Solvency Loan.
- If a CO-OP offers small group coverage, it must offer at least one qualified health plan at each of the silver and gold benefit levels in the SHOP Exchange.
- CO-OPs cannot offer health coverage in a State until the State has in effect (or the Secretary has implemented for the State) the market reforms required by part A of title XXVII of the Public Health Service Act.

CO-OP Applications

An applicant may apply for 2 types of low-interest loans:

1. Joint Start-up and Solvency Loans; or
2. Only a Solvency Loan.

Loan Overview

	Start-up Loan	Solvency Loan
Purpose	Seed capital for start-up and development.	Core capital for state risk based capital requirements.
Repayment Term	5 years from each draw. CO-OP application and loan documents will define custom repayment schedule.	15 years from each draw. CO-OP application and loan documents will define custom repayment schedule.
Interest Rate	Fixed. 1% point below the Benchmark 5-year Treasury rate at time of award	Fixed. 2% point below the Benchmark Treasury rate at the date of award. (Average of 10 and 20-year treasuries.)
Disbursement Schedule	Based on business plan in loan application and final loan documents. Disbursements subject to achieving milestones.	Based on core capital needed to meet each year's risk based capital requirements. Disbursements subject to achieving enrollment milestones.
Loan Structure		Structured to ensure that these loans are recognized by each State's insurance regulators as contributing to State reserve requirements and other solvency requirements.

Key Elements of Loan Applications

Applicants must submit every element described or required by the Funding Opportunity Announcement including but not limited to:

- Project narrative feasibility study
- A detailed business plan
- A detailed budget narrative
- Bylaws and evidence of nonprofit status
- Evidence of engagement with State regulators
- A list of state licensure requirements
- Evidence of private support, if applicable
- Various affidavits

Key Dates

Voluntary Letter of Intent to Apply:

As soon as possible

Application Due Dates:

October 17, 2011

January 3, 2012

April 2, 2012

July 2, 2012

October 1, 2012

December 31, 2012

Anticipated Notice of Subsequent Loan Awards:

**75 days after each applicant receives
notice that its application is
complete**

Application Review

- Applications will be reviewed by external expert reviewers. Final award decisions will be made by CCIIO.
- Preference will be given to applicants that demonstrate:
 - A plan to operate in States with no other qualified applicants;
 - A plan to use an integrated care model;
 - A plan to use innovative reimbursement models;
 - A plan to be able to accept enrollment applications by October 2013;
 - Private support; and
 - A feasible plan to operate statewide over time.

Review Criteria for Start-up & Solvency Loans

Review criteria are set forth in detail in the Funding Opportunity Announcement. Key elements include:

- Well-organized and capable leadership and staff;
- Integrity of member governance;
- Understanding of the target market;
- Robust and credible business plan with measurable milestones for durability in the market;
- Adequate provider network;
- Ability to begin start-up activities promptly; and
- Ability to repay loans within the required timeframes.

Benefits of Participating in the CO-OP Program

- CO-OP plans may be deemed certified to participate in the Exchanges for 2 years and recertified every 2 years for up to 10 years after their loans have been repaid
- A CO-OP may apply for a tax exemption under section 501(c)(29) of the Internal Revenue Code, although it is not required to do so.

Post-Award Monitoring

- Recipients will be required to submit regular progress reports and financial reports and are subject to strict monitoring, audits, and site visits.
- Recipients must demonstrate progress on milestones established in the recipient's Loan Agreement in order to draw down loans.
- Recipients are prohibited from converting to for-profit entities.

For more information:

- Please visit our website at:
<http://cciio.cms.gov/programs/coop/index.html>
- Please view our Funding Opportunity Announcement (FOA) at: <http://www.grants.gov> (CFDA # 93.545)
- Please view our Final Rule at: <http://www.regulations.gov>