THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MAY 21 2015

The Honorable Adrian Smith
U.S. House of Representatives
Washington, DC 20515

Dear Representative Smith:

Thank you for your letter regarding your concerns about the financial solvency of CoOportunity Health, and Consumer Operated and Oriented Plan Programs (CO-OPs) more generally.

Our first priority is to make sure that existing CoOportunity consumers remain covered and receive the health care they need. Our first step was to help CoOportunity enrollees understand that they must switch to another qualified health plan offered through the Marketplace to continue to receive advance premium tax credits (APTC) and cost-sharing reductions (CSRs) to help pay for their health coverage. We conducted extensive outreach to encourage enrollees of CoOportunity to select a new plan during the open enrollment period for the 2015 plan year. Additionally, the Centers for Medicare & Medicaid Services (CMS) worked with Iowa and Nebraska Departments of Insurance (DOI) to set up a special enrollment period that ran through April 29, 2015, and allowed CoOportunity enrollees to select any non-grandfathered individual health plan offered in Iowa or Nebraska, including those outside of the Marketplace. Throughout this special enrollment period, we conducted targeted outreach to CoOportunity enrollees to make them aware of their options. Additionally, through the authority granted under the Affordable Care Act, CMS worked with the Marketplace plans to keep premiums affordable for Iowans and Nebraskans.

The vast majority of the CoOportunity enrollees have selected a qualified health plan offered through the Marketplace, which allowed them to continue to receive APTC and CSRs if they were eligible. However, a small number remain enrolled in CoOportunity with no coverage end date; their individual claims up to an aggregate of $500,000 will be paid by the state's guaranty fund.

Concerning CO-OPs more generally, section 1322 of the Affordable Care Act established the CO-OP program to foster the creation of non-profit health insurance issuers to increase consumer choice, promote competition, and improve quality in the health insurance market. To this end, section 1322 of the Affordable Care Act provided start-up and solvency loan funding to eligible entities to help establish and maintain these new plans. Since any start-up enters a market with the inherent risks of building a business from the ground up, the funding provided by the law was intended to provide needed support while these non-profit insurance companies became stable entities.

Implementation of the CO-OP program has been a collaborative effort among CMS, state DOIs, and the new CO-OP plans. As you know, states are the primary regulator of health insurance issuers and market rules. State DOIs also oversee the financial stability of issuers and protect consumers in those markets. CMS's role is to monitor CO-OPs for compliance with their loan agreements and program policies.

Due to a number of substantial Congressional rescissions to the initial funding level for the CO-OP program, CMS did not have sufficient funds to make full awards to all CO-OPs that requested additional funds. To support the new CO-OPs, while operating within the limits of reduced funding, the availability of additional loan funding was announced through guidance issued on April 30, 2014. Awards resulting from those applications were made on September 26, 2014. Additional loan funding was announced through guidance issued on August 22, 2014, and awarded on December 15, 2014.

The applications included actuarially certified analysis and financial projections, which necessarily incorporated data regarding current and projected levels of enrollment. On September 26, 2014, CMS granted CoOportunity Health an additional $32,700,000 based on a request of $32,700,000. This amount was included among the five loan requests granted by CMS, totaling $267,895,000 in additional loan funding to existing CO-OPs to support solvency and to expand coverage into additional states. The awards included:

- The Maine Community Health Options CO-OP received $67,630,000;
- Common Ground Healthcare Cooperative in Wisconsin received $28,450,000;
- CoOportunity Health in Iowa and Nebraska received $32,700,000;
- Health Republic Insurance in New York received $90,688,000; and
- HealthyCT in Connecticut received $48,427,000.

Pursuant to the August 22, 2014 funding announcement, CMS received a request from CoOportunity Health for an additional $55,000,000 in federal loan funding. While the total funding requests received in response to the August 22, 2014 announcement exceeded the amount of funding available to make loan awards, CMS was able to award $65,000,000 to Kentucky Health Cooperative and $22,667,899 to Common Ground Healthcare Cooperative in Wisconsin.

CMS therefore considered a number of additional factors in making loan awards, including: the reasonableness and viability of the business plan, contingency plans, market impact, and CMS's evaluation of the CO-OP experience and performance to date.

When using these criteria to review CoOportunity's request leading up to the December award announcement, based on the financial analyses discussed above, CMS and the external review panel concluded that the capitalization needs of CoOportunity Health were well in excess of additional funds available, and decided not to fund this request.

With respect to your question regarding Community Health Alliance of Tennessee, this CO-OP achieved its enrollment target for 2015 much earlier during open enrollment than it anticipated, and therefore requested that its state regulator permit the CO-OP to suspend writing new business in accordance with the financial capacity exception to the federal guaranteed availability requirements. Consumers who have already purchased Community Health Alliance plans for the 2015 plan year remain enrolled and will continue to receive coverage. CMS is working closely with state officials and the CO-OP on a plan to resume new enrollment for the 2016 open enrollment period later this year.

CMS is committed to safeguarding the interests of CO-OP beneficiaries and taxpayers in our management of the CO-OP program. CMS has worked with the Nebraska and Iowa Departments of Insurance and the CO-OP to assist with the smoothest possible transition for the current members of CoOportunity. CMS continues to conduct oversight of CO-OPs in their operational phase. CO-OPs are required to provide monthly data on enrollment, quarterly financial statements, including cash flow data, and semi-annual reporting. CMS evaluates the data to assess performance and compliance. CO-OPs also undergo site visits by CMS and submit to regular external audits. While the day-to-day oversight of insurance companies, and review and approval of their products and rates is performed by state regulators, CMS will continue to monitor each CO-OP's progress. CMS communicates weekly or more frequently with all CO-OPs regarding performance and challenges, and engages in regular communications with state regulators.

Again, thank you for your interest in this matter. I hope that you find this information helpful, and I look forward to working with you to provide accessible, affordable, and high quality health insurance options to all Americans.

Sincerely,

Sylvia M. Burwell