

CMS NEWS

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Health Reform Expands the Insurance Market, Supports Consumer-Governed Nonprofit Health Plans

The Centers for Medicare and Medicaid Services today announced that seven Consumer Oriented and Operated Plans (CO-OPs) will receive repayable loans to help them establish private non-profit, consumer-governed health insurance companies. Created by the Affordable Care Act, CO-OP plans will give consumers and small businesses more health insurance choices.

CO-OP loans support the creation of new innovative health insurers, which will promote competition and increase choice in the insurance market. As consumer-directed organizations, CO-OPs are designed to be accountable to members and responsive to the specific health care needs of plan members by using profits to lower premiums, improve quality, and expand benefits or enrollment.

“We are excited to support the health insurance CO-OPs,” said Marilyn Tavenner, Acting Administrator of the Center for Medicare and Medicaid Services (CMS). “CO-OPs will promote competition in the insurance market and respond well to the health care needs of Americans.”

All CO-OP loans must be repaid with interest and loans will only be made to private, nonprofit entities that demonstrate a high probability of becoming financially viable. CMS will closely monitor CO-OPs to ensure they are meeting program milestones. Funds can only be drawn down incrementally as milestones are met. To ensure strong financial management, CO-OPs are required to submit quarterly financial statements, including cash flow and enrollment data, receive site visits, and undergo annual external audits. This monitoring is concurrent with the financial and operational oversight of State insurance regulators.

The CO-OP program contains extensive provisions to protect against fraud, waste, and abuse. CO-OP applicants underwent background checks that included public records searches at the local, State, and national level as well as searches of federal debarment databases. Loan recipients are subject to strict monitoring, audits, and reporting requirements for the length of the loan repayment period plus 10 years.

All CO-OPs receiving loans were selected on a competitive basis through external and independent expert objective reviews and approval by CMS officials with private insurance expertise. Non-profits receiving the loans include: Freelancers CO-OP of Oregon, New Mexico Health Connections, Montana Health Cooperative, Midwest Members Health, Common Ground Healthcare Cooperative, Freelancers CO-OP of New Jersey, and Freelancers Health Service Corporation. Starting in 2014, these CO-OPs will operate in Oregon, New Mexico, Montana, Iowa, Nebraska, Wisconsin, New Jersey, and New York.

Today's awardees will receive start-up and solvency loans to fund start-up activities required to become a health insurance issuer and enable them to meet State licensure, solvency and reserve requirements. Start-up loans must be repaid in 5 years and solvency loans paid back within 15 years. Like other plans, CO-OPs will meet State and federal standards for qualified health plans to sell coverage through the Exchanges and the State's Small Business Health Option Programs (SHOP Exchanges).

CMS will continue to review applications and announce additional awardees on a rolling basis. We are pleased with the large number of CO-OP loan applications and encouraged by the strong response. We anticipate receiving more applications in subsequent rounds. The initial application pool consisted of small business coalitions, physician and hospital providers and associations, agricultural organizations, unions and community-based sponsors. Additional CO-OP funding program opportunities will be available throughout 2012. CMS' goal is to establish a CO-OP in each State and the District of Columbia to increase health insurance options for people across the country.

For more information on today's announcement visit:

<http://www.healthcare.gov/news/factsheets/2012/02/coops02212012a.html>

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