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Health Insurance CO-OPs Outraged at Cuts to CO-OP Loan Program

Fiscal cliff agreement cuts funds for future CO-OPs; CO-OPs currently funded are unaffected and are moving forward in developing high-quality and low-cost health insurance plans

WASHINGTON, DC – The National Alliance of State Health CO-OPs (NASHCO), the trade association for health insurance CO-OPs emerging across the country, slammed cuts to the CO-OP loan program included in the fiscal cliff agreement signed into law yesterday. Section 644 of the American Taxpayer Relief Act eliminates funding for future CO-OPs that have not already signed a loan agreement with the Department of Health and Human Services. The legislation also creates a contingency program to support the development of existing CO-OPs, equal to 10% of the funds remaining for CO-OP loans. [The 24 health insurance CO-OPs \(http://www.healthcare.gov/news/factsheets/2012/02/coops02212012a.html\)](http://www.healthcare.gov/news/factsheets/2012/02/coops02212012a.html) that have already signed loan agreements totaling nearly \$2 billion will not be affected by the legislation and will continue to move forward in developing high-quality and low-cost health insurance plans in their respective states.

“Since long before the fiscal cliff agreement, the big health insurance companies have fought the new CO-OPs because they represent a real opportunity to lower health insurance premiums and allow consumers to belong to a member-governed health insurer,” said NASHCO President John Morrison. **“This fiscal cliff agreement gives the health insurance giants their wish, torpedoing CO-OPs in the 26 states where they are not yet approved. The cut to the CO-OP program was not about federal spending since its impact, as CBO confirms, will be minimal to the federal budget; it was about the health insurance giants attempting to eliminate competition at the expense of millions of Americans who will pay higher premiums due to a lack of competition.**

“This cut to the CO-OP initiative is bad policy that was done quickly and quietly in the dark to stop the progress of CO-OPs,” Morrison continued. **“Unless something is done to reverse this travesty, half of our country will have access to innovative, efficient, member-governed non-profit health insurance, and half will not.”**

Health insurance CO-OPs were designed and intended to increase competition in the health insurance market and thus lower health care costs for all Americans. They will also be key drivers of innovation and efficiency improvements in the current system. To date, the 24 CO-OPs have signed loan agreements with HHS and are making significant progress towards these goals and will continue to do so in advance of the January 2014 state date of the state-based health insurance exchanges. The fiscal cliff agreement does not halt the progress of these CO-OPs, and in fact reaffirms HHS's commitment and obligation to ensure their successful implementation through the contingency program.

Though touted as a provision to reduce spending, the [CBO estimates](http://cbo.gov/sites/default/files/cbofiles/attachments/American%20Taxpayer%20Relief%20Act.pdf) (<http://cbo.gov/sites/default/files/cbofiles/attachments/American%20Taxpayer%20Relief%20Act.pdf>) that the cuts to the CO-OP program would reduce spending outlays by only \$200 million, while removing \$2.3 billion of budget authority. \$3.4 billion was allocated to the program, representing about \$7 billion in loanable funds, and approximately \$1.98 billion of that \$7 billion has been obligated in loans. Thus, about \$5 billion in potential loans have been eliminated. The CO-OP program consists of low-interest loans to private organizations obtained through a competitive process with strict oversight from HHS.

The timing of the cuts to the CO-OP program was particularly devastating for the over two dozen well-qualified CO-OP applicants applied for loans in the last Funding Opportunity Announcement, which closed on December 31st, 2012. The citizens and businesses across the U.S. behind these prospective CO-OPs spent millions of dollars and thousands of hours, relying on and complying with the Funding Opportunity Announcement issued by the federal government, only to find there was no opportunity after all.

"It is deeply troubling that the efforts of the last round of CO-OP applicants, which have already been submitted, were made pointless just two days after the application deadline passed," Morrison said. **"These applicants should at the very least have the opportunity to be reviewed and rewarded on their merits."**

"The health insurance CO-OP movement will not be derailed," Morrison said. **"It is unfortunate though that a majority of states apparently will not have the option of a consumer-owned and operated health insurance plan starting in 2014, drastically diminishing the Affordable Care Act's ability to fulfill its primary goal of providing affordable and high quality health care to all Americans."**

The National Alliance of State Health CO-OPs is a nonprofit corporation formed after the passage of the Affordable Care Act designed to promote the development and success of the health co-op movement. NASHCO is composed of dedicated teams of volunteers throughout the nation seeking to establish a new way of accessing care using the cooperative governance model. All 24 CO-OPs that have signed loan agreements with the Department of Health and Human Services are currently members of NASHCO. CO-OP development groups are also associated with NASHCO. For more information, visit www.nashco.coop.

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