



## CMS NEWS

**FOR IMMEDIATE RELEASE**  
July 18, 2011

Contact: CMS Media Relations Group  
(202) 690-6145

### **New Private Nonprofit Health Plans Will Increase Competition, Give Consumers and Small Businesses More Health Insurance Choices**

Today, the Department of Health and Human Services (HHS) took steps to encourage the creation of Consumer Operated and Oriented Plans (CO-OPs), new private non-profit, consumer-governed health insurance plans that will help increase competition and give consumers and small businesses additional affordable health insurance choices. HHS is proposing standards for CO-OPs, and for qualifying for \$3.8 billion in repayable loans to help start-up and capitalize these new health plans. 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.

CO-OPs are designed to give consumers and small businesses control over their own health insurance. CO-OPs are private, non-profit insurers governed by their members and offering affordable, consumer-friendly health insurance options. CO-OPs will use any profits to benefit its members, including actions to lower premiums, improve health benefits, improve the quality of members' health care, expand enrollment, or otherwise contribute to the stability of coverage for members.

"CO-OPs will provide consumers more choices, greater plan accountability, and help ensure a more competitive insurance market," said Steve Larsen, Director of the Center for Consumer Information and Insurance Oversight. "Today's announcement shows how the Affordable Care Act is bringing new choices and giving consumers a voice in insurance markets throughout the nation."

Working from the recommendations of the public advisory committee, the rules proposing the framework were developed with significant input from many stakeholders, including testimony at public meetings from consumers, small businesses and health care providers. The proposed rule is only a first step. HHS is taking public comment on the proposal and expects to release a Funding Opportunity Announcement regarding the availability of loans to start up CO-OPs soon.

The CO-OP program provides for loans to private entities with the goal to create a new CO-OP in every State to expand the number of Exchange health plans with a focus on consumer accountability. The CO-OP program contains extensive provisions to protect against fraud, waste, and abuse. Loan recipients are subject to strict monitoring, audits, and reporting

requirements for the length of the loan repayment period plus 10 years. Recipients must submit semi-annual program reports and quarterly financial statements. Additionally, CMS will conduct audits, including site visits, as appropriate. CO-OPs must meet a series of milestones as laid out in their loan term agreements before drawing down any money from the program.

CO-OPs will sell coverage through the State's Affordable Insurance Exchange as well as have the opportunity to sell coverage to small businesses through the State's Small Business Health Option Programs (SHOP Exchanges). Several successful health insurance cooperatives currently exist around the country, covering nearly 2 million individuals. A number of diverse groups are organizing to take advantage of this new opportunity. In one state, primary care providers are working to create a CO-OP to focus on care for rural areas. In another, a CO-OP steering committee has been formed by interested physicians, technology and business experts, and community groups.

For more information on today's announcement, read the fact sheet at [www.HealthCare.gov/news/factsheets/coops07182011a.html](http://www.HealthCare.gov/news/factsheets/coops07182011a.html).

Further information on the Consumer Operated and Oriented Plan program, including the determinations of the Federal Advisory Board and information for prospective applicants, can be found at: [cciio.cms.gov/programs/coop/index.html](http://cciio.cms.gov/programs/coop/index.html)

The full text of the Notice of Proposed Rulemaking can be found at <http://www.ofr.gov/inspection.aspx?>

###