Office of Consumer Information and Insurance Oversight
Department of Health and Human Services
Consumer Operated and Oriented Plan ("CO-OP") Advisory Board

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Description of CO-OP Program Objectives and Characteristics of Qualified Issuers

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The Consumer Operated and Oriented Plan ("CO-OP") under Section 1322 of the Patient Protection and Affordable Care Act is intended to advance the three main goals of health care reform—greater choice, higher quality and reduced cost—by establishing an entirely new type of health insurance entity that combines the best attributes of the for-profit, governmental, not-for-profit and co-operative models[1]. In this document, the new health insurance entities that are envisioned under the Plan are referred to as "Qualified Issuers".

The legislation is intended to achieve the following key objectives:

1. To provide individual consumers and small groups with an alternative health insurance option that is neither a government-run program, nor a strictly profit-driven business—one that uses the tools of the marketplace but whose primarily purpose is improving the health and well-being of its customers at an affordable price.
2. To enhance competition, especially in insurance markets that currently do not have a sufficient number of insurer options.
3. To encourage the development of a diversity of grass roots health insurance models where people at the state and local levels build and control organizations that fit their evolving needs, rather than promoting a single, homogeneous national model.
4. To ensure that the Qualified Issuers are directly accountable to their customers, not controlled by either political or financial interests.
5. To catalyze the formation of Qualified Issuers in all states and to facilitate their access to private growth capital, by providing seed loans, recoverable grants and tax exemption.
6. To create a level playing field that protects the Qualified Issuers from undue influence and unfair competition by government or private issuers, and allows them to offer competitive rates, successfully contract with providers, and fairly compete in the marketplace.
7. To protect Qualified Issuers against abuse, fraud, and mission drift over the long term.
8. To provide a platform and level playing field to help scale existing innovative, community-based models that have been created across the country by groups of consumers who have been organizing and taking control of their own health.

[1] These hybrid "for-benefit" entities are an emerging new class of corporation that can be formed to pursue an explicit social purpose (like a not-for-profit) using business means (like a for-profit). Their accountability is assured through stringent requirements of transparency and social and environmental responsibility, inclusive ownership and governance structures, reasonable limits on compensation and investor returns, and restrictions on the transfer or dissolution of assets.

9. To encourage the establishment of a private support network that helps the Qualified Issuers exchange best practices, enter into collective purchasing arrangements (subject to anti-trust laws), promote brand awareness, and otherwise enhance innovation, learning, transparency, accountability, and collaboration.

Characteristics of Qualified Issuers

In order for the Plan to succeed, Qualified Issuers must maintain their competitiveness in the marketplace over the long term, while remaining steadfastly committed to reducing costs and improving the health and well-being of their customers. To ensure *all* of these goals are met, Qualified Issuers formed under the Plan should meet the following minimum criteria:

1. Purpose – The primary purpose of each Qualified Issuer must be to enable its customers (both current and potential) to pursue their optimal health and well-being as affordably as possible, over the long term. Qualified Issuers must maintain an irrevocable commitment to this purpose, without allowing financial or political influences, or other stakeholder pressures, to dilute their mission.
2. Control Rights – Each Qualified Issuers must maintain a deep commitment and connection to its customers, and its governance structure must reflect this by ensuring the interests and viewpoints of the insured remain paramount. It should provide customers a meaningful voice in defining their own health care priorities and determining key plan features (such as premiums, benefits, deductibles, co-pays, providers, etc.). This does not preclude Qualified Issuers from having a governance structure that appropriately balances the interests of other stakeholders.
3. Capital Structure – Beyond the initial seed loans and recoverable grants provided by The Department of Health and Human Services, Qualified Issuers should be able to raise private capital from a variety of sources in order to finance their growth. Because they are both social-purpose and market-oriented, Qualified Issuers should be able to access multiple forms of investment and philanthropic capital (including debt, equity or equity-equivalent, grants, bonds, etc.) in a manner that does not compromise their primary commitment to mission. Any equity or equity-like investments raised by a Qualified Issuer must be essential to advancing its mission, must be on concessionary terms, and must not give rise to a tax haven for the investors.
4. Earnings (Profits) – Any earnings generated by a Qualified Issuer must be used exclusively to further its mission, and its customers must have a meaningful voice in determining how that is achieved. Earnings may be used, for example, to reduce premiums, improve benefits, or improve the quality of care. To maintain primacy of mission, any investment in a Qualified Issuer that has a claim on its earnings or unrestricted net assets (equity) can only accrue in proportion to the degree to which the Qualified Issuer is achieving its primary purpose.
5. Assets – In the event of dissolution or conversion of a Qualified Issuer, any assets held in the entity, beyond those against which there is a legitimate claim by investors or other stakeholders, may only be donated, transferred or otherwise settled in a manner that advances and protects the Qualified Issuer's primary social purpose.
6. Private Inurnment – Qualified Issuers should conform to conflict of interest standards at least as strong as not-for-profit standards for private inurnment.
7. Monitoring and Transparency – In addition to meeting standard reporting requirements for other private insurers, Qualified Issuers should monitor, track and regularly report data on costs, interventions and health outcomes in order to ensure they are performing against their mission and earning the trust of their customers and other stakeholders.