

Finance Subcommittee Proposed Recommendations

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Overview of Recommendations with Consensus (1 of 3)

- Loan vs Grant definition and use
- CO-OP definition - “CO-OP” as used in these recommendations refers to the nonprofit health insurance entities created under the Consumer Operated and Oriented Plan Section of the Affordable Care Act. These entities may include nonprofit cooperatives as formed under state cooperative law .
- Two phase application
 - Initial application for planning – not a required step
 - Second application for start up cost and solvency grant

Overview of Recommendations with Consensus (2 of 3)

- A committee of experts would review applications that include actuaries, accountants, individuals with expertise in developing provider networks, individuals with expertise in starting health plans, individuals with investment experience with approving loans to business entities, and individuals with expertise in reviewing cooperative formation and governance documents.

Overview of Recommendations with Consensus (3 of 3)

- “Substantially all” has been interpreted to have a wide range of meanings depending on different situations and cases. Recognizing that it may be difficult for a CO-OP to achieve and maintain financial stability if it has to rely too heavily on the issuance of policies or contracts to individuals and small employers, the Advisory Board recommends that HHS exercise maximum flexibility in interpreting substantially all and give applicants a number of years to meet the “substantially all” test.

Recommendations That Required Further Discussion (1 of 1)

Proposed Recommendation (Not Accepted):

To address the need for the CO-OP to reach critical mass—allow the CO-OP to affiliate with a sibling issuer (newly formed) that offers coverage to the large group market, but otherwise shares administration, etc. Legislative intent and language are both met as long as the government’s financial support is isolated to the entity that sells in the individual and small group markets.

Rationale: An affiliation will not solve the issue of reaching critical mass and generating revenue to repay the loans and grants.

Questions?