



AVERDE HEALTH, INC.
WRITTEN COMMENTS TO THE
CONSUMER OPERATED AND ORIENTED PLAN (CO-OP) ADVISORY BOARD
March 14, 2011

How Averde can help ignite the CO-OP movement

Because incumbent insurers are excluded from sponsoring CO-OPs, CO-OP sponsors will presumably have to use rental networks of health care providers in order to provide health benefits. In that case, they will be over-paying for services – in the range of 25-35% more! – relative to the “Big Insurers” (like Blue Cross plans or national carriers like United, Aetna, or CIGNA). The CO-OP’s alternative to renting a network would be to contract directly with providers, which is expensive and time-consuming, and may not yield better pricing than a rental network given the CO-OP will not have any existing membership or other leverage when they negotiate their rates with providers. As a result, most CO-OPs risk being uncompetitive in the market, late to market, or both.

However, because of its unique value proposition (explained below), Averde has been able to contract with health care providers to build broad provider networks with prices competitive with those of the Big Insurers. We have broad networks in Colorado and Texas, and are working in Florida, Virginia and other states to bring comparable networks online later in 2011. Averde currently has agreements with hospital systems that span 41 states in total.

As a result, Averde can make a CO-OP cost-competitive with large insurance carriers, plus offer a more consumer-friendly product featuring transparent cost information, guaranteed member financing for out-of-pocket expenses, and a simple monthly statement that lets members understand their benefits and expenses at a glance, all consistent with the CO-OP mission.

About Averde Health

Averde is a health plan administrator with a proprietary provider network. Averde was founded in 2008 to dramatically lower costs and improve the experience of members in higher-deductible health plans as well as the health care providers who treat them. These plans are proliferating rapidly, as they are often the only affordable option in a market, but consumers find them incredibly confusing, and are apprehensive about potentially high out-of-pocket costs. Likewise, health care providers find themselves spending more and more time and money chasing patients for their out-of-pocket costs (deductibles and coinsurance), and writing off increasingly large amounts of receivables each year, making these products an unfair burden for them.

Averde believes that health plans should take responsibility for paying providers 100% of their negotiated rates, and collecting deductibles and coinsurance from plan members directly. This allows providers to focus on care delivery, and means that members have one bill to pay and one statement that summarizes their total health spending. Averde's PayMedixSM division was formed to handle the financial management of the member's out-of-pocket costs and provides "guaranteed-issue" financing to members to help them pay for their out-of-pocket costs, with below-market interest and manageable payment terms, so members don't need to worry about dealing with an acute financial episode when they are accessing care.

Averde also believes firmly in price transparency. Plans designed with high cost-sharing (like high deductibles) are intended to help consumers take responsibility for some of their care. But members cannot do that without knowing the costs of care. Therefore, Averde made sure its provider contracts allow for the disclosure of comparative cost information to plan members, enabling members to know exactly what each provider in the network charges for services and what the member's resulting out-of-pocket liability will be.

It is important to note, consistent with the law, the comments received by the Advisory Board, and the Board's discussion at its March 14th meeting, that Averde is not an organization that was a health insurance issuer on July 16, 2009, nor were we or are we related to such an organization. We agree with the Board that allowing those types of issuers, or companies affiliated with them, to provide services to a CO-OP, violates the spirit, if not the actual wording prohibiting such pre-existing issuers to be CO-OPs.

Averde's proposed CO-OP model

Averde believes its unique value proposition and staff capabilities can accelerate the development of CO-OPs by creating an organizational template, including legal forms, to create a CO-OP and provide administrative services thereto as follows:

Averde will create a template for creating a CO-OP Insurer, including draft versions of the following, plus provide staff support for development and adoption of final versions:

- Corporate charter documents
- Board resolutions and governance structures
- Company policies (ethics, conflict of interest, anti-lobbying, prohibition against private inurement, etc.)
- Application to states' regulatory bodies for licensure.
- Application to HHS for certification as a Qualified CO-OP Insurer and recognition under IRC 501(c)(29)
- Business plan and accompanying application for CO-OP loan and grant

In addition to providing access to our broad, cost-competitive provider networks, Averde can provide some or all of the following administrative services and infrastructure to the CO-OP, through our own employees and through contractual arrangements with our preferred vendors:

- Operations (Claims administration, Billing & Enrollment, Member Services)
- Underwriting, pricing and actuarial services
- Plan designs and state form filings

- Medical Management
- Wellness Benefits and Incentives program design and management
- Consumer decision support (transparent price information and search tools)

Averde's PayMedixSM division will provide the following consumer financial management services:

- Health account (e.g., FSA, HRA, HSA) administration
- Credit arrangements with members for payment of member liability (coinsurance and deductibles)
- Integrated monthly consumer statement

Summary

- Averde can make CO-OPs financially competitive with the Big Insurers on Day One of operation.
- Averde is ready *today* to begin providing full services to CO-OPs in five states, and can leverage existing contracts into a total of 41 states eventually.
- Averde greatly simplifies and reduces the administrative cost and hassle created by the Big Insurers. Averde allows physicians and patients to focus on health and healing.

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