United States Senate

WASHINGTON, D.C.

June 19, 2013

The Honorable Gene L. Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Comptroller General Dodaro:

We are just a few months away from massive changes to health insurance markets related to the Patient Protection and Affordable Care Act's implementation. One big change included in the law is that new Consumer Operated and Oriented Plans (CO-OPs) are expected to soon start offering health coverage. To date, $1.9 billion dollars has been allocated for start-up and solvency loans for these new CO-OPs.[1]

The concept of health care cooperatives is not new. During the New Deal, health care cooperatives were funded with government loans, run by community members, and supported with membership fees.[2] However, over the years, this did not prove to be a sustainable business model. As a result, nearly all of the cooperatives from the Depression era have either disbanded or gone out of business.

One ongoing Congressional concern regarding the CO-OP program is that, despite billions of taxpayer dollars spent on the new insurance cooperatives, the CO-OP program is likely to be ineffective or produce only a marginal impact at best. When evaluating the health care bill before it became law, the Congressional Budget Office did not list any direct savings from the new insurance cooperatives, and noted that "the proposed co-ops had very little effect on the estimates of total enrollment ...they seem unlikely to establish a significant market presence in many areas of the country...."[3]

The Centers for Medicare and Medicaid Services (CMS) has claimed that loans were only provided to "entities demonstrating a high probability of financial viability," yet in the proposed regulation implementing the CO-OP program, the Department of Health

[1] http://www.kaiserhealthnews.org/Stories/2013/June/02/co-ops-health-care.aspx
[2] http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=87
[3] http://www.cbo.gov/ftpdocs/105xx/doc10572/09-16-Proposal_SFC_Chairman.pdf

and Human Services (HHS) projected that only "65 percent of the Solvency Loans and 60 percent of the Start-up Loans will be repaid."[4] It is concerning that, by the Administration's own estimate, approximately one-third of all health insurance cooperatives will fail to repay their loans. Since the CBO does not project savings or significantly increased coverage from the CO-OPs, it's unclear how one could conclude it is a prudent use of taxpayer dollars to fund projects which are likely to fail.

Congress already reduced CO-OP program funding by nearly $2 billion earlier this year.[5] And the initial goal of at least one CO-OP in each state has now been reduced to 24 total CO-OPs, each in a different state.[6] Some evidence even suggests that entities receiving funding may be incapable of managing the funds. For example, in Vermont, the state's Department of Financial Regulation denied a license to the Vermont Health CO-OP to sell health insurance in the state, primarily because of financial solvency and corporate governance issues, according to the department's decision."[7]

Therefore, on behalf of taxpayers whose dollars are being used for these projects, we request that the Government Accountability Office (GAO) conduct a study on the CO-OPs funded through Section 1322 of PPACA. As part of that study, we request that you examine and analyze the following:

1. CBO expected that the CO-OPs would have no meaningful impact on reducing the number of the uninsured. Based on available data, what assessment can be made about to what degree funded CO-OP projects have on enrollment and reducing the numbers of individuals who otherwise would not have been able to purchase health insurance?
2. How effective are the CO-OPs at achieving lower costs for consumers, relative to other commercially available non-profit or for-profit coverage options?
3. Based on conversations with industry experts and a literature review, what is the anticipated predicted efficacy and long-term viability of the funded CO-OP projects?
4. Are loan recipients repaying their loans on time and/or have any received loan modifications? What information is available, in quarterly reports or elsewhere, to evaluate financial viability of the funded CO-OP projects?
5. What specific, concrete steps has HHS taken, and what process have they established to on an ongoing basis evaluate CO-OPs? How is HHS managing and measuring the ability of CO-OPs to provide access to affordable coverage and meet the financial and solvency requirements of the state?

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[4] U.S. Department of Health and Human Services, Proposed Rule (45 CFR Part 156 [CMS-9983-P]), "Patient Protection and Affordable Care Act; Establishment of Consumer Operated and Oriented Plan (CO-OP) Program", Federal Register, Vol. 76, No. 139, Wednesday, July 20, 2011, Page 43247,available at http://www.gpo.gov/fdsys/pkg/FR-2011-07-20/pdf/2011-18342.pdf

[5] http://www.fiercehealthpayer.com/story/fiscal-cliff-deal-wipes-out-health-co-op-funding/2013-01-04?utm_medium=nl&utm_source=internal

[6] http://www.kaiserhealthnews.org/Stories/2013/June/02/co-ops-health-care.aspx

[7] http://www.fiercehealthpayer.com/story/co-op-denied-license-sell-health-plans-vermont-exchange/2013-05-24?utm_medium=nl&utm_source=internal

6. How many of the CO-OPs have not achieved the programmatic milestones and guidance required by HHS for drawing down disbursements?
7. How does HHS ensure that the funded CO-OP projects are not a waste of taxpayer dollars? What steps is HHS taking to manage and measure the co-ops ability to repay the loan?
8. Did HHS conduct appropriate oversight regarding the background and qualifications of entities receiving funding?
9. To what extent do CO-OPs receive preferential market, funding, regulatory, or other governmental advantages over private commercial health plans?

Thank you for your attention to this important matter. If you have any questions about this request, please contact our offices for additional information. We appreciate the valuable work you do and look forward to working with you on this project.

Sincerely,

Tom Coburn
Orrin G. Hatch
Lamar Alexander

Tom Coburn, M.D.
U.S. Senator

Orrin G. Hatch
U.S. Senator

Lamar Alexander
U.S. Senator

Michael B. Enzi

Michael B. Enzi
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