

CHUCK GRASSLEY, IOWA
CHAIRMAN

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

January 16, 2015

VIA ELECTRONIC TRANSMISSION

Nick Gerhart, Commissioner
Iowa Insurance Division
601 Locust St., 4th Floor
Des Moines, IA 50309-3738

Dear Commissioner Gerhart:

Last month, the Iowa Insurance Division (IID) submitted an Order of Rehabilitation to take over CoOpportunity Health, Inc. (CoOpportunity). CoOpportunity was established as part of the new Consumer Operated and Oriented Plans, or co-ops, created under the Affordable Care Act (ACA) with the goal of offering competitive health coverage to individuals and small groups.¹ Under the ACA, CoOpportunity received low interest loans from the Centers for Medicare and Medicaid (CMS) to run the co-op. Unfortunately, CoOpportunity faced significant funding challenges when enrollment levels and the cost of covering those enrolled exceeded expectations. In December 2014, CMS denied CoOpportunity's request for additional funding, and operations were taken over by IID.

According to statements your office has made, it now appears likely that CoOpportunity will be liquidated. Last week, you announced that "it's going to be tough"² to keep CoOpportunity operational, and you and your division have been recommending that people who signed up for insurance through the co-op should seek new coverage before open enrollment ends on February 15, 2015.³ That gives people only weeks to find coverage. If they do not find new coverage, they may face higher payments and be ineligible for federal subsidies and tax benefits.⁴

¹ Centers for Medicare & Medicaid Services (CMS), Consumer Operated and Oriented Plan Program, <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Insurance-Programs/Consumer-Operated-and-Oriented-Plan-Program.html>, accessed January 9, 2015.

² The Des Moines Register, "CoOpportunity's Future Looks 'Tough,' Commissioner Says," January 7, 2015.

³ Business Record, "Gerhart Pledges Prompt Action on CoOpportunity," January 7, 2015.

⁴ *Id.*

On January 13, 2015, I wrote to CMS to ask why it denied CoOpportunity's request for additional funding, as well as its role in administering the co-op loan program. I am also concerned that even though CoOpportunity's funding shortages were well known for at least six months, CMS apparently did not tell the co-op or IID that it would not receive additional funding. While CoOpportunity was facing financial challenges, if CMS had informed it earlier that it would not receive additional funds it could have taken steps to potentially avoid failure.

CoOpportunity's failure negatively impacts thousands of people in Iowa, as well as Nebraska. It also raises troubling questions about CMS's transparency with the co-ops and its distribution of funds.

As I continue my investigations, I request that you please retain all records pertaining to CoOpportunity, including communications with CMS.

Thank you for your attention to this matter. If you have any questions, please contact Tegan Millspaw with my Judiciary Committee staff at (202) 224-5225.

Sincerely,



Charles E. Grassley, Chairman
Committee on the Judiciary