

CHUCK GRASSLEY, IOWA
CHAIRMAN

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

January 13, 2015

VIA ELECTRONIC TRANSMISSION

The Honorable Marilyn Tavenner
Administrator
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Dear Administrator Tavenner:

The Affordable Care Act (ACA) established a new loan program to fund Consumer Operated and Oriented Plans, or co-ops. The goal of the co-ops was to “offer competitive health plans” for individuals and small groups.¹ The Centers for Medicare and Medicaid Services (CMS) was responsible for implementing and overseeing the loan program and issuing loans to the co-ops. One of the new co-ops was CoOpportunity, which offered health plans in Iowa and Nebraska. CoOpportunity enrolled over 100,000 people in insurance plans, a number that was much higher than expected. As a result of the high enrollment numbers, CoOpportunity faced significant financial pressures and asked CMS for further funding throughout 2014.

Last month, CMS unexpectedly and without explanation told CoOpportunity it would receive no additional funding. In the aftermath of CMS’s decision, CoOpportunity was forced to give over control of its business operation to the Iowa Insurance Division.

It now appears likely that CoOpportunity will be liquidated, and the 100,000 people who signed up for health coverage through the plan now face uncertainty about their health care. Iowa Insurance Commissioner Nick Gerhart has publicly told people currently enrolled in CoOpportunity plans to seek new insurance before open enrollment ends on February 15, 2015.² 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.³

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 Business Record, “Gerhart Pledges Prompt Action on CoOpportunity,” January 7, 2015.

³ *Id.*

I am extremely concerned about the thousands of Iowans who are impacted by CoOpportunity's failure, in particular CMS's role in the failure. Both CoOpportunity and the Iowa Insurance Commissioner told CMS last summer that it would need additional funding to continue to offer coverage. 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.

CMS's lack of openness appears to have played a significant part in CoOpportunity's failure. It also raises questions about how CMS administered the co-op funding and its process for informing states about assistance decisions.

With that in mind, I request that you please provide the following information:

- 1) How much funding did CMS issue through co-op loans from January 2014 to present? Please provide a breakdown of the amount issued to each co-op and the date of each payment.
- 2) Did CMS consider the number of beneficiaries within each co-op when allocating funding? Why or why not?
- 3) What is the amount of CMS funding per beneficiary in each co-op?
- 4) How much money did CMS have available for co-op loans in its April 2014 funding cycle? How much money did CMS have available for co-op loans in its September 2014 funding cycle?
- 5) How did CMS determine how to award the co-op loans in 2014? Please provide all methodologies and protocols used to make such determinations.
- 6) What information did CMS give to CoOpportunity and the state of Iowa concerning the amount of funding available to them? Please provide copies of all communications between CMS and CoOpportunity and the state of Iowa concerning funding from January 2014 to present.
- 7) Did CMS reserve funding to be used for co-ops that enrolled more individuals than anticipated and as a result experienced greater costs? If yes, please provide the amount of funding CMS reserved for this purpose, and explain why CoOpportunity did not receive any additional funding. If no, please explain why not.

Thank you for your attention to this matter. I would appreciate a response to my request by January 27, 2015. If you have any questions, please contact Tegan Millspaw with my Judiciary Committee staff at (202) 224-5225.

Sincerely,

A handwritten signature in blue ink that reads "Chuck Grassley". The signature is written in a cursive, flowing style with a large initial "C".

Charles E. Grassley, Chairman
Committee on the Judiciary