

United States Senate

WASHINGTON, DC 20510

October 29, 2015

The Honorable Andy Slavitt
Acting Administrator
Centers for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Dear Acting Administrator Slavitt:

We write to inquire about the status of the Consumer Operated and Oriented Plan (CO-OP) Program authorized by section 1322 of the Affordable Care Act (ACA), particularly as it relates to the state of Arizona.

As you are aware, the CO-OP program came to fruition as the ACA was being negotiated to appease those clamoring for a public option and was created with the goal to “offer competitive health plans in the individual and small group markets.” The Centers for Medicare and Medicaid Services (CMS) was tasked with the responsibility of implementing and overseeing the program.

To date, 23 CO-OPs have secured more than \$2.4 billion in low-interest federal loans to insure 522,617 individuals. However, the Department of Health and Human Services Office of the Inspector General (OIG) recently confirmed what many feared, namely that all but two of the 23 CO-OPs incurred net losses in 2014. Meanwhile, analysis by Standard and Poor’s (S&P) found that nine CO-OPs had a Medical Loss Ratio (MLR), data used to measure the percentage of premiums used to pay medical claims, greater than 100 percent, which illustrates that artificially low premiums produced a woefully inadequate revenue stream to cover medical claims.

With the program continuing to be plagued by financial shortcomings, more than one third of all ACA established CO-OPs have permanently closed. Just this past week, six CO-OPs announced their intention to close, which will subsequently force hundreds of thousands of Americans to find new health care plans that most likely will not provide coverage identical to what they had before they were forced into the ACA. Furthermore, it remains uncertain if the failed CO-OPs will be able to repay their loans.

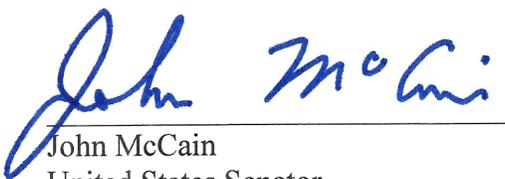
As you know, one of the CO-OPs founded was Meritus Mutual Health Partners (MMHP) in Arizona, which according to the OIG report received nearly \$95 million to insure 869 enrollees. Based on this data, MMHP’s federal loans now amount to nearly 1,000 percent of their total value and surplus. While we understand that MMHP disputes the OIG’s findings, we remain concerned about the enrollees who could face a significant disruption in coverage should the CO-OP fail, particularly those individuals located in rural pockets of Arizona with significantly fewer coverage alternatives.

Against this backdrop, we request that you provide answers to the following questions:

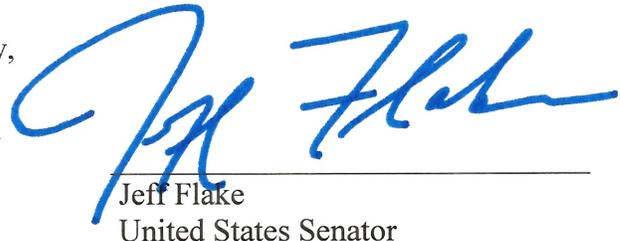
- 1) What is CMS's current assessment of MMHP's future viability? How many individuals to date receive health care coverage through MMHP, and of that number how many are exposed to the risk of not being covered if the CO-OP were to fail? As to these insureds, what contingency plans will CMS put in place to ensure continuity in coverage?
- 2) What steps has CMS taken to "work with State insurance regulators to identify and correct underperforming CO-OPs," as recommended by the OIG report?
- 3) To date, ten CO-OPs have ceased operations citing lower than expected enrollment numbers, insufficient revenue streams, and overall financial uncertainty. What steps has CMS taken to recover monies from the failed CO-OPs and what is the timeline for doing so?
- 4) If a CO-OP were to close after open enrollment and a consumer paid out a deductible, what is CMS's obligation in both financial reimbursement and assisting those individuals in finding a new health plan?
- 5) The OIG's July 2015 report asserts CMS placed "four CO-OPs on enhanced oversight or corrective action plans and two CO-OPs on low-enrollment-warning notifications." What are the names of the six CO-OPs, and what is CMS's current assessment of their short-term and long-term viability?

Thank you for your prompt attention to this matter, in strict accordance with all existing rules, regulations, and ethical guidelines, and we look forward to your timely reply.

Sincerely,



John McCain
United States Senator



Jeff Flake
United States Senator