Before the Committee on Oversight and Government Reform Subcommittee on Energy Policy, Health Care and Entitlements and the Subcommittee on Economic Growth, Job Creation and Regulation

February 5, 2014

Testimony Submitted by the National Alliance of State Health CO-OPs [NASHCO]

This testimony is submitted by the National Alliance of State Health CO-OPs [NASHCO] in response to the Committees' request. NASHCO is the trade association for the CO-OPs, with all 23 CO-OPs as members and serving on the Board of Directors.

We understand your request that testimony be focused on the financial viability of these new entrants into the market and on the process used in awarding these loans, and we tailor this testimony accordingly. We are able to tell you more about the former than the latter, as the process internal to CMS to award these loans is not completely transparent to the CO-OPs. Another caveat to the information provided herein is that NASHCO has not gathered current enrollment data for all CO-OPs due to the changing nature of the data as days go by, although some CO-OPs have shared their enrollment information to date. We understand that enrollment figures will be available from HHS shortly, however.

CMS PROCESS USED IN AWARDING LOANS and GENERAL FINANCIAL VIABILITY REMARKS

CO-OPs were all required to submit applications to CMS including business plans detailing their capacity for likely financial success. We do not know how many applications for CO-OP loans were denied, but we know there were several. Those approved met CMS' strict scrutiny for financial viability. As you know, since loan approval some of the assumptions about the Exchanges and nature of the likely number of consumers who would by products through Exchanges have changed. In spite of this, many CO-OPs are already seeing high enrollment figures and market shares of business. [1]

Other CO-OPs are more challenged by unanticipated changes. Also, all CO-OPs operate in local markets – your constituent markets - where conditions vary. Below we provide some discussion of some factors impacting short and long-term CO-OP financial viability and their impact on health insurance markets around the country.

It is important to put the financial viability of CO-OPs as new entrants in context. As you know, the CO-OP program was put into place for at least two primary purposes. First was to inject much needed

[1] For example, information provided to us by some CO-OPs show the following current enrollments:
Maine: 18,374; percentage of target market – 80%; projected forecast of original enrollment goals for 2014 – 119%
Wisconsin: 11,500; 110% goal for year one; 20 – 25% total enrollment in QHPs
Iowa/Nebraska: 43,465, exceeding original enrollment projections by a factor of 4
Montana: 7029 total; on enrollment target with 38% market share

competition into stagnant health insurance markets around the country. The expectation was that more competition would drive health insurance premiums down, hence benefiting not only private consumers but governments that subsidize portions of consumer premiums, for example (but not limited to) the federal subsidy program offered through the current Exchanges. In both cases CO-OPs have already delivered on that expectation. A study conducted some months ago shows that in states where CO-OPs exist, overall premium prices are approximately 8 to 9% lower than in states without them. Moreover, in a July Health Affairs blog, health policy experts extrapolated from pricing information provided by the Congressional Budget Office and Urban Institute, concluding that if markets with CO-OPs had prices ranging from just 2 to 5 percent lower than otherwise , savings to taxpayers in lower federal premium tax credits over the next 10 years would range from $6.9 billion to $17.4 billion.[2] A report in November by the consulting firm McKinsey and Company found 37% of the lowest-priced plans in states with CO-OPS in their exchanges were offered by CO-OPS. So the financial viability of CO-OPs is in everyone's best interests, and the CO-OPs take seriously their responsibility to be financially viable.

The second goal for the CO-OP program was to provide consumers with a private, local insurance option, and one which was focused on being consumer-driven and leading in innovations that will drive lower medical costs, higher quality and payment reform. As such, CO-OPs around the country are seeing enrollment from consumers who are hungry for such an option, a factor which ultimately should drive very positive CO-OP enrollments and hence viability.

SOME PARTICULAR FACTORS IMPACTING CO-OP FINANCIAL VIABILITY

CO-OP financial viability in the long term will be substantially a function of the CO-OPS pricing right, attracting appropriate enrollment, providing consumer-driven products, and managing well. CO-OPs are well-situated to perform in a superior manner in all these areas. The combination of tremendous and dedicated expertise in CO-OP management, demonstrated support from their communities, and the fact that their Boards must soon be populated by the consumers for whom they provide coverage, all point to financial success. As with any business, however, it will take time to reach maximum positive capacity. There is no reason to worry that CO-OPs will not be paying back their federal government loans on time. Should it appear to their lender (CMS) or their state insurance regulators that they are floundering, either or both entities will intervene well before loan funds are substantially expended. In the meantime, the numbers show that CO-OPs have already gone a long way toward paying for loan costs by driving down prices in markets with CO-OPs.

[2] To illustrate, this is a report from the Iowa/Nebraska CO-OP:
"A local insurance carrier, approved for a 13% rate increase for individual plans in early 2013, cancelled this increase when CoOportunity Health announced its filing for Exchange status and an offering of a full suite of products in the Iowa-Nebraska market. This cancellation, the first ever after a series of consecutive rate increases exceeding 10% annually, affected over 150,000 individual consumers. As a result of CoOportunity Health's competition in local markets, these 150,000 customers will save over $200 million in 2014 alone. Other health insurance customers are also expected to benefit from lower premiums thanks to increased competition. The Federal and State governments will benefit from reduced tax credit and cost share subsidies as well as lower premium costs for Medicaid expansion."

Having said that, some of the specific factors impacting CO-OP enrollment at this very early stage include: (1) pricing; (2) unanticipated market changes; and, (3) numbers of competitive carriers in states. In states where the circumstances around these and other factors are causing lower enrollments, there is every reason to believe that CO-OPs will adjust to these circumstances and challenges. Below is some detailed discussion of some of those factors.

Pricing:

As you know, health insurance markets around the country vary. Applicants for CO-OP loans were required to tailor their applications to local market conditions which entailed conducting market surveys. All, of course, made use of actuarial expertise in setting their plan prices for products to sell on and off the Exchanges. In most cases, pricing was done "in the dark," in other words without the benefit of having any knowledge, or necessarily history, of what competitors might charge. In only a small handful of cases state insurance regulators made initial pricing by the carriers available, and gave insurers an opportunity to reset prices.

As expected, most CO-OPs came in at the lower ends of the price point for plans on the Exchanges. Also as expected, some were higher. Although consumers make health insurance decisions on a number of factors, there is no question that for many price is key. Consequently, we understand that in some CO-OPs that were priced somewhat higher, their enrollment figures may initially reflect that preference. As with other factors at work in enrollment success, it will take time to achieve truly informed and appropriate pricing. As noted earlier, it is critical to consumer choice and lowering overall premium prices that CO-OPs be given an opportunity to reach appropriate pricing based on informed assumptions.

Unanticipated Market Changes:

When CO-OPs first developed their business plans, their enrollment projections and other plans were predicated on certain assumptions about enrollment on the Exchanges, some of which have changed since then. Many have had to revise those plans in recent weeks. Foremost among those unanticipated developments was the very rocky start of the Exchanges, both federal and some state Exchanges. Other unanticipated developments that affect CO-OPs' original enrollment expectations include allowing large established health insurers to "early enroll" consumers who originally expected to be shopping on the Exchanges, and the later "fix" in which established carriers were encouraged and allowed the opportunity to keep consumers on non-ACA-compliant insurance plans after January 1. Both developments reduced the number of potential enrollees coming through the Exchanges. Although some CO-OPs have already been able to drive high enrollment numbers due to unique conditions in their states, others have had a more difficult time. Most CO-OPs have had to revise their original plans in response to these changes, and in all cases arrangements have been made to adjust to these challenges. (Notably, CO-OPs are not allowed to use federal loan dollars to market, so marketing campaigns to adjust to the changes are challenging.)

Variations in numbers of competing carriers in CO-OP states:

It appears, based on anecdotal and some numerical evidence, that CO-OPs operating in states where there was just one, or perhaps two, previous dominant carriers, initial CO-OP enrollment is high. This is not universally true, however, as several CO-OPs in other states have higher initial enrollment figures. Once CMS releases enrollment figures we will be able know for certain. From comments made to CO-OPs in these states, consumers relish the new choice.[3] Indeed in some areas there would be literally no health insurance option on the Exchange without the CO-OP.

[3] From a CO-OP Consumer in Maine: "I just put my premium in the mail to MCHO, and I can't thank you enough for going out on a limb the way you have to make this available for Maine. I love the way you have designed the plans, given your financial constraints, to make mental health services accessible and to help people with chronic illnesses. I promise to try to stay healthy and keep my costs low! And for good measure I enrolled my 23 year old healthy daughter.
Truly, my daughter and I would both be in trouble if this option were not available. My job at ---------- is wrapping up, and I am taking the opportunity to start my own ---------- business. Looking at [the other companies'] plans, I can see I could never have done this without MCHO."

Janice S. VanRiper, JD, PhD

----------PROFESSIONAL EXPERIENCE----------

National Alliance of State Health CO-OPs [NASHCO] *10/12 - current*
Executive Director and CEO

Brody School of Medicine, Eastern Carolina University at Greenville, NC *1/09 – 9/12*
Director, Brody School of Medicine Healthcare Reform Initiative
Assistant Professor, Department of Bioethics and Interdisciplinary Studies

Creighton University at Omaha, NE
Adjunct Assistant Professor, Center for Healthcare Policy and Ethics *9/11 - current*

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Montana State Auditor's Office (Commissioner of Insurance and Securities) *7/97 – 1/09*
NOTE: Held progressively responsible positions under two Commissioners at various times during 12 year period. Employment at this office was interspersed with time to pursue PhD at the University of Utah and other employment.
Deputy State Auditor, Chief of Staff
Chief Deputy Insurance Commissioner (concurrent with Deputy Auditor position)
Special Deputy Liquidator
Chief Legal Counsel
Health Insurance Counsel

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Blue Cross Blue Shield of Montana *2001 - 2003*
Vice President and General Counsel

.....

VanRiper Law Firm *1988- 1996*
Attorney

.....

Montana Department of Labor and Industry (progressively responsible positions) *1980 - 1987*
Chief Legal Counsel for Department of Labor and Industry
Bureau Chief, Montana State Workers' Compensation Fund
Staff Attorney, Division of Workers' Compensation

----------PROFESSIONAL LICENSES----------

Jurisdictions licensed to practice law: State and Federal Courts, Montana

----------EDUCATION----------

Ph.D., Philosophy (Emphasis – Applied Ethics, Bioethics), University of Utah
J.D., University of Montana School of Law
B.A., Philosophy, University of Montana
Mediation Certificate, Greenville Mediation Center
Certificate, University of Utah Postgraduate Program in Alternative Dispute Resolution

----------PROFESSIONAL and COMMUNITY SERVICE----------

Current:
Montana Life and Health Insurance Guarantee Association, Board Member
Montana Institute for Medicine and Humanities, Board Member
Internet Journal of Law, Healthcare and Ethics, Editorial Board
Brody Women's Faculty Committee, Executive Committee

Recent Previous:
Mediator, Greenville Mediation Center (*pro bono*)
Internet Journal of Law, Healthcare and Ethics, Editorial Board
Brody Women's Faculty Committee, Executive Committee
HealthShare Montana (responsible for HIT implementation in Montana), Board Member; Privacy and Security Workgroup, Chair
Montana Healthcare Forum, Board Member; Co-Chair – Coverage Committee
Insure Montana (Montana's small group insurance pool), Board Member (advisory)
Institutional Review Board, Benefis Hospital, Great Falls, Montana
Montana Health – a joint venture between BCBSMT and Western Montana Clinic, Board Member
McLaughlin Research Institute, Ethics Advisory Committee - invited member
Mountain States Regional Genetic Services Network - invited member

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Janice S. VanRiper

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1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.
    - None

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2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.
    - National Alliance of State Health CO-OPs (NASHCO)
        - Executive Director/CEO

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3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.
    - None

I certify that the above information is true and correct.

Signature: Janice S. VanRiper Date: Feb. 5, 2014