Mandy Cohen's Hearing
"Examining the Costly Failures of Obamacare's Co-Op Insurance Loan"
Before
Energy & Commerce O&I Subcommittee

November 5, 2015

Attachment - Additional Questions for the Record

The Honorable Chris Collins

1. **Dr. Cohen, during the hearing you asserted that, despite its $35 million loss in 2014, a further investment in the New York co-op was warranted. What analysis did your office use to arrive at this conclusion? Please provide any CMS analysis conducted in relation to the continued investment in the New York co-op.**

Answer: CMS undertook a rigorous review process before awarding additional solvency funding. This included both an external and internal review by subject matter experts of updated business plans, feasibility studies, programmatic and regulatory compliance, actuarial soundness, and financial statements. The enrollment, claims, and financial data available during the review of applications for additional solvency loan funding was limited in scope. CO-OPs had six to nine months of enrollment data and claims experience upon which CMS could base its review for additional solvency funding. CO-OPs were in their initial stages of operation and a substantial number of CO-OP members enrolled on or after the January 1, 2014, coverage start date, as open enrollment for 2014 coverage did not end until March 31, 2014. Only this limited data was available because of the late enrollment and the length of time it takes to receive, process, and pay claims, and for those claims to mature to have actuarial meaning.

The Honorable Larry Bucshon

1. **In the interest of assessing the accountability of the process behind CMS funds allocation, who in the organization was responsible for signing the state loan agreements?**

Answer: All the original CO-OP loan agreements were signed by the Deputy Director of the Center for Consumer Information and Insurance Oversight. All amendments obligating additional funds have been signed by either the Director of the Center, or a Deputy Director.

2. **Is it correct that CMS intended from the outset for the state co-op loan program to be budget-neutral?**

Answer: Section 1322 of the Affordable Care Act established the CO-OP program and provided funding to eligible entities to help establish and maintain these new issuers. CMS has implemented the program as required by statute and with funds available. Section 1322 (b)(3) requires the repayment of start-up loans within five years and solvency loans within 15 years. While the Affordable Care Act appropriated $6 billion for the program, the Congress made a number of substantial rescissions to that initial funding level. The Department of Defense and Full Year Continuing Appropriations Act, 2011, rescinded $2.2 billion; the Consolidated Appropriations Act, 2012, rescinded an additional $400 million; and the American Taxpayer Relief Act of 2012 further reduced the remaining $3.4 billion of CO-OP funding by rescinding 90 percent of funds unobligated as of the date of enactment. Finally, an additional $13 million was reduced due to sequester in Fiscal Year 2013. Ultimately, the CO-OP program awarded approximately $2.5 billion to 24 qualifying entities out of an initial pool of 147 applicants.