Report in Brief
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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

Why OIG Did This Review

The Patient Protection and Affordable Care Act authorized the Secretary of HHS to make startup and solvency loans to new consumer-governed, nonprofit health insurance issuers, known as Consumer Operated and Oriented Plans (CO-OPs). Prior OIG reviews identified problems with the CO-OP program that may have affected CO-OPs' long-term financial viability.

Our objectives were to examine the viability and sustainability of CO-OPs that were operating as of January 1, 2016, and to evaluate the Centers for Medicare & Medicaid Services' (CMS's) oversight of the CO-OP program.

How OIG Did This Review

We reviewed the financial status of the 11 CO-OPs that were operational as of January 1, 2016. We reviewed the CO-OPs' financial statements and examined factors that may affect the CO-OPs' ability to repay the loans, such as enrollment, revenue, medical claims costs, general administrative expenses, and capital and surplus. We also reviewed CMS's oversight of the CO-OP program and obtained the status of CMS's implementation of our prior recommendations.

CMS Oversight Must Continue Because All Remaining Consumer Operated and Oriented Plans Were Not Profitable and May Not Be Viable and Sustainable

What OIG Found

Several of the CO-OPs that were operating at the beginning of 2016 are no longer viable or sustainable. Specifically, 5 of the 11 CO-OPs operating on January 1, 2016, had ceased or planned to cease operations by the end of the 2016 plan year, and each of the remaining 6 CO-OPs reported net losses and had drawn down nearly all available CO-OP loan amounts as of December 31, 2016. These six operational CO-OPs did not appear to be financially viable and sustainable based on the reported net income and available capital and surplus. When a CO-OP ceases operations during the plan year, health plan participants can be significantly affected.

In 2015 and 2016, CMS placed 10 of the 11 CO-OPs on a corrective action plan or an enhanced oversight plan because of financial, operational, or market strategy concerns. CMS conducted the required oversight of the CO-OP program, but this did not prevent the CO-OPs from ceasing or planning to cease operations. Although oversight of CO-OPs is primarily a State responsibility, CMS continued to monitor the closed CO-OPs in an effort to help State regulators manage the wind-down and liquidation process and to help the U.S. Department of Justice recover any funds that may be available to repay startup and solvency loan debt.

What OIG Recommends and CMS Comments

We recommend that CMS (1) continue to work with operational CO-OPs to improve their financial condition; (2) continue the use of corrective action and enhanced oversight plans, especially for those CO-OPs with net losses and no remaining CO-OP loan funds to be drawn down; and (3) continue to work with States to ensure that CO-OP plan participants receive continuous coverage and access to plan providers and services.

CMS agreed with our recommendations and listed actions it would continue to take to address our recommendations.

The full report can be found at https://oig.hhs.gov/oas/reports/region5/51600027.asp.