GAO Highlights

Highlights of GAO-15-304, a report to congressional requesters

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PRIVATE HEALTH INSURANCE

Premiums and Enrollment for New Nonprofit Health Insurance Issuers Varied Significantly in 2014

Why GAO Did This Study

The Patient Protection and Affordable Care Act (PPACA) established the CO-OP loan program, which helped create 23 consumer-governed, nonprofit health insurance issuers known as CO-OPs. To foster the creation of the CO-OPs, PPACA authorized two types of loans: (1) start-up loans, which help cover the costs of establishing a CO-OP; and (2) solvency loans, which help meet states' solvency requirements associated with becoming a licensed health insurance issuer. While the program seeks to increase competition and improve accountability to members, questions have been raised about the effects CO-OPs will have on health insurance markets.

GAO was asked to study the CO-OP program during 2014. This report examines (1) the status of the CO-OP program loans, (2) how CO-OP health plan premiums compare to the premiums of other health plans, and (3) enrollment in CO-OP health plans. GAO analyzed data from CMS and states; reviewed applicable statutes, regulations, guidance, and other documentation; and interviewed officials from CMS and seven CO-OPs that were selected based on the total amount of loans awarded, geographic region, and the type of health insurance exchange (i.e., federally facilitated or state-based exchange) operated in the state where the CO-OP offered health plans.

In commenting on a draft of this report, the Department of Health and Human Services described activities used to monitor the CO-OP program and provided technical comments, which were incorporated as appropriate.

View GAO-15-304. For more information, contact Vijay A. D'Souza at (202) 512-7114 or dsouzav@gao.gov.

What GAO Found

As of January 2015, the Centers for Medicare & Medicaid Services (CMS)—the agency that administers and monitors the consumer operated and oriented plan (CO-OP) program—has disbursed about two thirds of the $2.4 billion in loans awarded to 23 CO-OPs. CMS has disbursed about $351 million in start-up loans and $1.2 billion in solvency loans. The percentage of start-up loan funding disbursed to CO-OPs equaled all, or nearly all, of their awards. However, the percentage of solvency loan funding disbursed varied depending on each CO-OP's need to meet state solvency and reserve requirements. Disbursements to three CO-OPs equaled 100 percent of their solvency awards, while disbursements to 20 other CO-OPs ranged from 26 to 92 percent of their awards.

The average premiums for CO-OP health plans were lower than those for other issuers in more than half of the rating areas—geographical areas established by states and used, in part, by issuers to set premium rates—for the 22 states where CO-OPs participated in the exchange during 2014. As shown in the table below, for four of the five coverage tiers—standardized levels of coverage based on the portion of health care costs expected to be paid by the health plan—the average premiums for CO-OP health plans were lower than the average premiums for other health plans in 54 to 63 percent of these rating areas.

Rating Areas Where the Average Consumer Operated and Oriented Plan (CO-OP) Premium Was Lower Than the Average Premium of Other Health Plans, Individual Age 30, 2014

		Rating areas where the average CO-OP premium was lower than the average of other health plans	
Tier	Total number of rating areas[a]	Number of rating areas	Percentage of total
Catastrophic	141	82	58
Bronze	184	107	58
Silver	184	100	54
Gold	184	116	63
Platinum	37	33	89

Source: GAO analysis of Centers for Medicare & Medicaid Services and state data. | GAO-15-304

[a]Numbers reflect rating areas where both a CO-OP and at least one other issuer offered health plans.

In addition, there was variation across rating areas in the difference between the average premiums for CO-OPs and other plans. For example, average CO-OP premiums for silver health plans were priced between 0 and 10 percent lower in 20 percent of rating areas and between 10 and 30 percent lower in 31 percent.

During the first open enrollment period (October 1, 2013, through March 31, 2014), the 22 participating CO-OPs enrolled over 470,000 people. However, the total was short of the overall projections included in the CO-OPs' original loan applications, and 8 of the 22 CO-OPs accounted for more than 85 percent of the total number of CO-OP enrollees. These 8 CO-OPs exceeded their enrollment projections with 5 more than doubling their projected enrollment. The remaining 14 did not meet their enrollment projections. Ten of those CO-OPs enrolled less than half of their projected enrollment numbers. Officials from the CO-OPs GAO interviewed cited relatively high premiums, for example, as a reason for lower than projected enrollment levels.