

GAO Highlights

Highlights of [GAO-16-326](#), a report to congressional requesters

Why GAO Did This Study

The Patient Protection and Affordable Care Act established the CO-OP program and provided loans that helped create 23 CO-OPs to offer qualified health plans to individuals and small employers. While the program seeks to increase competition and improve accountability to members, questions have arisen about their long-term sustainability and their effects on health insurance markets, particularly as 12 CO-OPs ceased operations on or before January 1, 2016.

In April 2015, GAO issued its first report examining the status of CO-OP premiums, enrollment, and program loans in 2014 ([GAO-15-304](#)). As one CO-OP ceased operations in early 2015, GAO was asked to review the CO-OP program again. This report examines (1) how CMS monitors the CO-OPs' performance and sustainability; (2) how CO-OP premiums changed from 2014 to 2015, and in 2015, how they compared to premiums for other health plans; and (3) how CO-OP enrollment changed from 2014 to 2015, and in 2015, how it compared to projections. GAO analyzed 2014 and 2015 premium and enrollment data from CMS, states, and the National Association of Insurance Commissioners; and reviewed applicable regulations, policies, procedures, and documentation of CMS monitoring activities. GAO also interviewed CMS officials.

In commenting on a draft of this report, the Department of Health and Human Services stated its commitment to CO-OP beneficiaries and taxpayers, and provided technical comments, which GAO incorporated as appropriate.

View [GAO-16-326](#). For more information, contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov.

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PRIVATE HEALTH INSURANCE

Federal Oversight, Premiums, and Enrollment for Consumer Operated and Oriented Plans in 2015

What GAO Found

The Centers for Medicare & Medicaid Services' (CMS) monitoring of the consumer governed, nonprofit health insurance issuers—known as consumer operated and oriented plans (CO-OPs)—evolved as the CO-OP program matured, and as 12 of the 23 CO-OPs ceased operations on or before January 1, 2016. CMS's initial monitoring activities, starting when it began to award CO-OP program loans in early 2012, focused on the CO-OPs' progress as start-up issuers and their compliance with program requirements. Since then, CMS refined and expanded its monitoring to evaluate CO-OP performance and sustainability. CMS officials use enrollment and financial data to identify CO-OPs for which actual performance differed substantially from what was expected. CMS officials also perform routine assessments of each CO-OP's risk in various areas, such as working capital and management. To evaluate and respond to financial or operational issues identified at CO-OPs, CMS formalized a framework that it called an escalation plan. Under this plan, CMS may require that a CO-OP take corrective actions or the agency may implement an enhanced oversight plan based on its evaluation of the issue. As of November 2015, CMS used its escalation plan to evaluate and respond to issues at 18 CO-OPs, including 9 of the CO-OPs that have ceased operations. CMS officials told GAO that they plan to work with states' departments of insurance to continue monitoring CO-OPs that have ceased operations to the extent possible in order to minimize any negative impact on members and, if possible, recover loans made through the program.

GAO found that in 14 of the 20 states where CO-OPs offered health plans during both 2014 and 2015, the average CO-OP premiums for 30-year-old individuals purchasing silver health plans—the most commonly selected plan—were lower in 2015 than the average premiums for such plans in 2014. In the 23 states where CO-OPs offered health plans during 2015, the average premiums for all CO-OP health plans were lower than those for other issuers in more than 75 percent of rating areas—geographical areas established by states and used, in part, by issuers to set premium rates. Across the 23 states, average silver health plan premiums were lower for CO-OPs than other issuers in 31 percent to 100 percent of rating areas.

In addition, GAO found that the combined enrollment for the 22 CO-OPs that offered health plans in 2015 was over 1 million as of June 30, 2015, more than double the enrollment of a year earlier. More than half of these members were in CO-OPs that ceased operations. GAO also found that the combined enrollment for all 22 CO-OPs in 2015 exceeded their projections for 2015 by more than 6 percent. Of the 11 CO-OPs that have ceased operations, 6 did not meet their individual enrollment projections for 2015. Among the 11 CO-OPs that continue to operate in 2016, 4 CO-OPs had not yet reached a program benchmark of enrolling at least 25,000 members. CMS officials told GAO that exceeding this benchmark represents a level of enrollment that should better allow an issuer to cover its fixed costs; CMS officials told GAO that they are monitoring the CO-OPs' enrollment with attention to this benchmark.