

**Open Information Teleconference for Applicants of the
Consumer Operated and Oriented Plans (CO-OP): Program
Funding Opportunity Announcement
CFDA#: 93.545
Transcript – November 8, 2012**

(Barbara Smith): Hi, this is Barbara Smith, the Director of the CO-OP Program, and we very much appreciate your joining us here today. The purpose of the call is to provide technical assistance to applicants who are planning to apply in the application round for the CO-OP Program with the December 31st deadline. I'm going to go around the table here and have the people here in the room introduce themselves to you so that you will know who is on the phone.

(Meghan Elrington): Meghan Elrington.

(Tanchica Terry): Tanchica Terry.

(Johanna Fabian-Marks): Johanna Fabian-Marks.

(Barbara Smith): We want to start out and provide guidance that is particularly critical for the December round of applications. After that we will go through some questions that have been submitted electronically and then open it up for questions. And again, we very much appreciate your taking the time to join us today and for your interest in the CO-OP program

The key bit of guidance that we need to provide you today is that for those applications coming in in December, it is our expectation that most of those applicants will not be able to be up and operating in time to get in to the Exchanges for plan year 2014, which would mean that they would need to be able to receive enrollment in the exchange in October 2013.

Some of you, a very small group, may be able to be up and ready if you are funded in February or March by October. As I said, I think that would be a

very small subset. If you think that you can do that, then you need to provide a substantial justification of how you can operate on such an aggressive timeframe, including how you would be able to be licensed by that time – and just to give you examples, this is not in any way meant to direct what you are doing, but to provide examples – that you have an agreement from your DOI to put your licensure application on expedited review or that they would regard it as a priority, that you have vendors and contractors already in hand who would be able to start immediately upon award, that you have a provider network or groups of providers in hand and ready to be able commit to you upon award. All of the things that would enable you to be fully operational: have your enrollment systems, IT systems, claims management system in place so that you could go in October 2013 and that you have people who understand Exchange requirements, who would be able to make sure that you would be able to meet the requirements of being a QHP and for submitting bids and meeting review in time.

If you are not able to show that with good substantiation of why you think you could operate at such an aggressive timetable, then our expectation is that most of the applicants would be coming into the exchange in plan year 2015 which would mean that they would be coming in to the Exchanges in October of 2014.

So what we would suggest to you in terms of preparing your feasibility study and your actuarial study and your business plan is that, if you don't think that you can meet the aggressive timetable for 2014, then that you should go ahead and plan on submitting an application for plan year 2015.

For those of you who do think that you can meet the aggressive timetable for 2014, we would suggest that you have a Plan B. In other words, that you need to show that you have a plan in the event that all of the pieces did not come together perfectly and you had to fall back to coming in in plan year 2015, so you would have to show an enrollment strategy that was appropriate for coming into the Exchanges in the second year. You would have to have pro formas that match your revised enrollment strategy. Make sure that everything in the application is consistent, that it tics and ties and that you have fully

accounted for the various contingences. So I think that is the primary guidance that December applications need.

In terms of the general guidance that we have provided in past phone calls, in terms of how to prepare a good application, comparing the differences between applications that have successful and those that have not succeeded, what the characteristics of successful applications are, what the characteristics of unsuccessful applications are, we would refer you to the transcripts on our website. We would suggest that you read those transcripts very carefully in the preparation of your application so that you fully understand what is required for a successful application. I think that they provide substantial guidance to you and that you will avoid a lot of the backfilling and other types of activities if you have fully internalized what's in those transcripts. Johanna, can you give them the website address please?

(Johanna Fabian-Marks): I don't have the website at the tip of my fingers, but, please, if you have not already contacted myself or Korisha Ramdhanie, we are both listed in the Funding Opportunity Announcement as Project Officers, and we are very happy to have a one-on-one phone call with you to answer any questions you have about the application process, about registering with grants.gov, or about components of the application. We can also set up calls with our Outreach Team. Many of you may have already reached out to us, but if not, you can either email the emails that are listed in the Funding Opportunity Announcement [Korisha.Ramdhanie@cms.hhs.gov and johanna.fabian-marks@cms.hhs.gov] or you can respond the CMS CO-OP Program email [CO-OPProgram@cms.hhs.gov], which was used when sending the notice of this call.

(Barbara Smith): And if you want like to contact Johanna or Korisha by email, they would be happy to send you the link to the website so that you can go straight to the transcripts.

[link: <http://cciio.cms.gov/resources/fundingopportunities/index.html#co-op>]

With that I am going to start out with some of the questions that were emailed to us, and then open it up to questions.

The first question is, “What sources of funding exist for payment of an actuary to sign off on our proposal for solvency funds?” The question is asked in terms of money down that’s required or other sources of funding. If you are successful applicant, as it states in the Funding Opportunity Announcement, the CO-OP Program will refund up to \$100,000 for the cost of preparing your business plan and your feasibility study and it is of course in the feasibility study where the actuarial costs come in.

If you are unable to get an actuary to operate on a contingent basis, you do need to look to other source of community funding for that, including the possibility of getting in kind services from an actuarial firm. There is not money provided up front, it is only contingent upon award, so you need to look to alternative sources of actuarial funding including in kind services.

The second question was, “How many years do we need to reflect in our pro formas?” The answer to that is the first 20 years of the CO-OPs existence. I will point out that all of this information in particular is contained in the Funding Opportunity Announcement, and a critical predicate to having a successful application is knowing every detail of that Funding Opportunity Announcement, to be completely familiar with it as you are prepare your application so that you are sure that your application is completely responsive to all of the requirements of the Funding Opportunity Announcement.

The third question is do you require an actuary to sign off on the proposal or merely certify the statistical components related to premium development. The actuary is not required to certify the entire application, but what they do have to certify is their work, which appears in the feasibility study and relates to the premium development.

An actuary's signature per se is not required by the Funding Opportunity Announcement, but for people putting together a proposal to set up an insurance company, which is what you are doing, the reliability of any feasibility study without actuarial input would be highly suspect in terms of the credibility of the proposal. Not having feasibility analysis by an actuary who could evaluate the risk of the CO-OP would make the application extremely deficient in terms of standard practice for setting up an insurance company.

The next question is, “What would be the normal time span from the end of a Deloitte interview to the notification on an application?” We would say two to three months, depending on how many applications are in the round.

The next question is, “Do you have direct contact with the IRS for 501(c)(29) applications?” If you are in fact awarded a loan as part of the award process, CMS will provide you with instructions on applying for 501(c)(29) status and we will provide you with a letter from CMS confirming that you have received a loan award from us that you can use in your application to the IRS.

The next question is, “Has a third party consultant been established to assist new CO-OPs?” The answer to that is yes. Navigant Consulting is on board as our technical assistance contractor and is providing technical assistance to the CO-OP program to help CO-OPs become operational in time.

The other point that is really important to take into account here is that you should not factor their assistance into your costs when you are figuring out your operational costs, your consulting and contractual costs, how you will go about setting up the road map to becoming operational. Technical assistance will come after you are awarded. Not every CO-OP is going to end up getting the same amount of technical assistance. It will vary depending on our, the CO-OP Program's, assessments of what your needs are.

In terms of the applications, you have to assume that you are doing everything that you can on your own to become fully operational, credible, and ready to go, wither in the 2014 or 2015 plan year depending on what choice you make in your application. These are not things that you can take into account when figuring out how to mitigate your operational costs. You have to give a full consideration to what your operational costs would be.

The next question is, “Would technical assistance from CMS help us project the results of a new integrated care program?” Technical assistance will be available to help you evaluate projected outcomes and results from an integrated care program, but you have to demonstrate that you have the capacity to do this in your application.

The next question is, “Since less than half the potential awards have been granted, has there been any consideration to extending the program deadline past December 31st, 2012?” At this point, while extending the Funding Opportunity Announcement is under consideration, you should not assume that that will happen. In terms of your planning, if you are planning to come into the CO-OP Program, you have to assume that December 31st is your last opportunity to do so.

And with that, I am going to open it up to questions.

(Operator): If you would like to ask a question, please press #71 on your telephone keypad. Question and answer is now enabled.

Now joining the floor: Health Excel.

(Tom Sondheim): Hi, this is Tom Sondheim from Health Excel here in San Diego. I have a question regarding the contingency component of incoming applications. If we make an assumption that we can meet the deadline of October 2013 with a viable application, our contingency then, in the event that we were not successful, would that be different in the sense of membership projections, would that be the large variance, or are you looking for even more substantive changes in terms of a contingency that would not be really driven off of member months?

(Barbara Smith): I don't think it's just an arithmetic equation of shortening the number of member months. I think that what the Selection Committee would want to see is an enrollment strategy that indicates that the CO-OP could be robust coming into the second year of the exchanges and an anticipation of how many new lives would be coming into the exchanges in 2015, what your strategy would be to compete with other plans that had come in in 2014, and then you would need to conform your financial pro formas to the revised enrollment projections and strategy. We're not saying redo a whole application for 2014 and 2015, but those are the components of the application that would be of greatest interest to the review committee.

(Tom Sondheim): Thank you

(Barbara Smith): Thank you.

(Operator): Now joining the floor.

(Larry Turney): Hi, this Larry Turney. My question is regarding the requirement to submit notarized affidavits from board members regarding the lack of criminal activity and eligibility to participate in government programs. If we have the same board that we had when we submitted our initial application, can we use those same affidavits or do we have to get all new ones?

(Barbara Smith): You would need to update your affidavits to reflect your current application. In some cases those affidavits came in a long time ago and I think the Selection Committee would want to see that these affidavits are current and reflect activity up to the date of submission.

(Larry Turney): Okay, thank you.

(Barbara Smith): Thank you. Are there other questions?

(Operator): At this time there are zero participants in the queue.

(Barbara Smith): We'll give it a couple more minutes for people to think about whether they have questions. Johanna also asked that I point out that we'll send the links to the transcripts to everybody listed on grants.gov and who is on our outreach list, and if you did not find out about this call from grants.gov and found out about it on our website instead, just be sure to email them and they will send you the links.

(Operator): Again, there are zero participants in the queue.

(Barbara Smith): Okay, we just have a couple more points that we wanted to make to you. The first is that we really want to encourage you to get your registration numbers. You should really have your registration numbers by the end of November or you run the risk of not being able to apply.

We would also point out that December 31st is considered by many to be a holiday. We encourage you to try to submit your application a few days early, so that you if run into problems trying to submit your application, they can be

resolved before the deadline. Grants.gov, as we've said before, is a creaky legacy IT system. It's not very user friendly. If you're having problems, you want to have time to contact us and get problems resolved in time so that you do not miss the submission deadline for avoidable technical reasons.

The other thing that I would add pertaining to the 2014 versus 2015 market entry is that we should note that there are requirements in terms of what dates you have to come into the Exchange, which is why the October 2013 deadline is so important. But if you came into the Exchanges in 2015, you can still go into the non-Exchange market prior to 2015 if you were able to do so.

Let me give you a hypothetical timeline. Suppose that you were able to be licensed in March 2014. You could still go into the non-exchange market between March and October. You're not precluded from all markets before 2015 even if you just can't go into the Exchange in 2014. Is that clear to everyone? We'll hold for a few minutes in case there are questions. Are there any additional questions?

(Operator): We do have one participant that just joined the queue. Now joining the floor: Health Excel.

(Health Excel): Hi Barbara, this is a second question here. Regarding what you just said about running off the Exchange, going after the typical small group market – so what you could really then say in your application is that your contingency would really focus on Exchange membership solely if you assume that you have the same enrollment in the small group market, that wouldn't change from 2014 to 2015. Does that make sense?

(Barbara Smith): I want to be sure that we understand your question correctly. Are you asking in terms of your feasibility study that if you came into the Exchange in 2015, that you would still be able to include what you are doing in the small group market in 2014 as part your feasibility analysis?

(Health Excel): Correct. In other words, we are talking about the contingency component. Say for whatever reason we can't make the deadline to be in the Exchange in 2014. But we can go out in the marketplace and enroll "x" amount of member months

in the small group market in 2014. That is something that we can offer as part of our contingency plan?

(Barbara Smith): Yes, right. And again, we would expect most plans that come in in December to be ready come into the Exchanges in 2015 unless they have unusual capabilities and can come into the Exchanges in 2014.

(Health Excel): Just one further thought. In terms of the regulatory environment for our state: what sort of, other than having the State say that we will positively grant a license request by “x” amount of time – and I’m not sure that any governing bodies would go that far – what sort of documentation are you looking for in the application to suggest that it is feasible to get licensure by October 2013?

(Barbara Smith): In California, you’re going to be regulated by the Insurance commissioner and not the department of managed Care?

(Health Excel): Actually, we can be regulated by either. It turns out that both departments will have equal regulatory jurisdiction over the CO-OPs, and we’ve confirmed this with the Director of the Department of Managed Care.

(Barbara Smith): Let me add a note of caution. I wouldn’t necessarily assume that it means “either.” It might mean that you get to be regulated by both, so I would verify that carefully. But, whatever is required, if they could for example provide information that says the typical time from application to licensure is four months in California, that would be helpful. Or something to that effect. If they are willing to say that they will make your licensure review a priority, that’s great. If, on the other hand, they say that the typical amount of time they require to license a new market entrant is 18 months, that would be more a problem. I’m going from one extreme to the other, obviously.

(Health Excel): Just thinking off the top here, the interesting dilemma I may now have is, if I have the Department of Managed Care saying we can absolutely do your licensure in four to five months, and then I have the Department of Insurance saying that it’s going to take me perhaps eight months or twelve months, how do I address that?

(Barbara Smith): Well, you would have to consider when you can realistically come in. I would say that we have not seen Departments of Insurance say they need that long. To date we haven't seen that kind of timeline. They've usually indicated somewhere between 90 to 120 days. But I would do your best, if you're going for 2014, to get some kind of communication from some that says this is realistic.

(Health Excel): We will absolutely do our best.

(Barbara Smith): Okay, great. Anyone else?

(Operator): Now joining the floor: Rob Ross.

(Rob Ross): Hey Barbara, this is Rob from Heartland Health in Oklahoma. What happens if the Exchange isn't ready? For instance, in the State of Oklahoma, there's been some discussion whether or not the State may change its mind and actually go ahead and build its own Exchange as recently as in today's Tulsa newspaper by the Governor. If that were to happen and they're behind the curve in building the Exchange and don't make it by October first, how does that impact our ability to be on the Exchange if we're ready but the Exchange isn't ready?

(Barbara Smith): I think that you have to assume that an Exchange will be ready. Whether Oklahoma proceeds aggressively to get it up in time, or whether the Federally Facilitated Exchange is in operation, you should assume one way or another that an Exchange will be operating in Oklahoma by that date.

(Rob Ross): Okay, thanks.

(Barbara Smith): Sure.

(Operator): There are no more participants in the queue.

(Barbara Smith): Okay, well thank you very much. Again, we appreciate your questions. We appreciate your time. We know that it takes a substantial commitment and effort to file an application to become a CO-OP in the CO-OP program, and so we very much appreciate your commitment to undertaking that effort and to trying to bring meaningful choice and competition to the people in your State.

Thank you very much and do feel free to reach out if you have additional questions. Goodbye.

(Operator): This concludes today's conference call and you may all now disconnect.