Open Information Teleconference for Applicants of the
Consumer Operated and Oriented Plans (CO-OP) Program
Funding Opportunity Announcement
CFDA#: 93.545
Transcript- August 10, 2011

Coordinator: Thank you all for standing by and welcome to today's conference call. At this time all lines are on listen-only for today's conference. Once again, all lines are on listen-only for today's conference call. During the question-and-answer portion of our call, you will be prompted to press * one on your touchtone phone. Please be sure to record your name slowly and clearly so that I may introduce you to ask you a question. The conference is also being recorded, and if you have any objections you may disconnect at this time. I will now turn the call over to Barbara Smith, Associate Director of CO-Op Program of HHS and Richard Popper, Director of Insurance Programs. You may proceed.

Barbara Smith: Thank you very much. We appreciate everybody's participation in the call today and want to welcome you to it. I do want to start out by saying that this call is primarily designed to be technical in nature. That is, to answer specific questions you have about the FOA process and anything that's relevant to that from the Notice of Proposed Rulemaking, for which you feel you need clarification. I'm going to start off - a number of you submitted questions in advance. I'm going to start off by talking about some of the major recurring themes that appeared in the questions.

We may not be able to answer your questions today. If not, we will get - try and get better information for you and post the answers at our Web site. And you can submit additional questions to - I'm going to give you a web address
now. It's co-opprogramquestions@cms.hhs.gov and we'll post that address on our Web site as well, so that if you have additional questions you can send them to that address. And then we will be able, after we receive those questions, we will set up a section on frequently asked questions and provide - try and provide generalized answers to those questions.

In terms of the major recurring questions and themes that occurred in your submitted questions, there were a few areas that were - that stood out. One was the adequacy and usage of the $100 thousand for feasibility studies and business plans. And so I just want to make clear that that - those are the only pre-award costs, you know, costs that are incurred prior to the awards. They will be reimbursed. But it appears that a lot of people felt that things that we would normally consider to be startup costs to be - people thought that they might be planning costs.

So we just want to give you some examples of the kinds of things that you should think of in terms of startup costs. And this list is by no means intended to be inclusive. But salaries, for example, for your management team, for your full-time staff, for hiring attorneys to help you with the state licensure process, for hiring actuaries to help you figure out what the appropriate premium needs to be. All of the administrative and operational functions would be considered startup costs. Now to the extent that you need to hire these people in advance of awards, and you incur those costs in advance of awards, they would not be reimbursable.

But they would be something that could be subject to the loan, to the startup loans once - based on your business plan proposal, your salary needs, all of the things that you put forth in your proposal upon award. So I think that that's - that those are sort of critical confusion that seem to arise from the questions. To the extent that you have costs that are related to building the business plan,
or the feasibility study, the fact that you're going to use analytics to support
the business plan or to do the feasibility study, had to be directly related costs.

They can't be indirect costs, they can't be costs that are related to multiple
activities simultaneously. They must be directly related to the cost of
preparing the business plan. The other issues that occurred were around
multistate plans. And the issue arose as to whether you should submit one
application for each state or one application jointly. And the answer to that
would be, one application to support your operation in multiple states. And the
reason for that is that we need to see that you have the operational capacity
and the management capacity to be able to - to basically to handle co-ops in
multiple states. So that would be very difficult to evaluate if they were in
separate applications.

The other aspects had to do with governance of multistate plans and this arose
among a number of potential applicants. And the statute and the regs are silent
on this. And what we would suggest is that you propose how you want to
handle the governance. And just for example, you could for example have one
board with geographic guarantees of representation, so that if you operated a
co-op in multiple states, that it would ensure that there were members of the
board from each of those states co-ops. Or that you had geographic diversity
on the board plus local Advisory Boards. These are not in any way an effort to
prescribe.

We're just saying you should think about how you want to do this and make it
- keeping in mind at all times that the goal here is to maintain consumer
control over the board and over the operations of the co-ops. So it has to be
structured with member control in mind. And that would meet the objectives
of the statute, and I think that we will, you know, reviewers will be looking at
your proposals to see whether they are viable and meet those objectives. I'm
happy to go through just a couple of more specific questions that we thought seem to repeat, and then I'm going to open it up for questions.

There were a number of questions around the marketing issue. As you know this is described in the funding opportunity announcement, which we are going to refer to as the FOA in our typical manner of having to reduce everything to their initials. But there are a couple of things that we just wanted to emphasize and one is that the marketing restrictions in the statute are restrictions on the use of loan funds. They're not restrictions on the use of other funds, such as revenue from premiums used for marketing or other funds that you may be able to get. It's just a restriction on the use of loan funds.

Secondly, the FOA did define this as activities that promote the purchase of specific products. So the general outreach into the community, educating the community about the nature the co-op, the fact that there is a new entrant into the market, educating them about what members do in co-ops. All of these things in general terms did not fall under this definition of marketing. I'm just looking through here to see if there are other key issues that we should address. There are a number of issues arose around the sponsorship of the co-op meaning that there are organizations that will be sponsoring the co-op, but the co-op is a separate entity.

The important thing to remember in terms of that is that as long as the sponsoring organizations are not themselves issuers and, you know, as defined in the proposed rule and in FOA or related entities to them, it is, you know, any organization can sponsor a co-op. And the board membership of that organization is not determinative. What is determinative is what the board composition is of the co-op itself. And the statute specifically states that representatives of state governments and representatives of existing issuers cannot be on the board of the co-op.
I think I'm just looking, glancing through my notes to see if there are any other key issues that sort of were crosscutting, across the questions and I think it - oh, okay. The other issue had to do with whether the 75-page limit and whether things like bylaws and performance financials were included in that page limit and the answer is they are not. The FOA says that pro forma financials, the Excel modeling associated with the business plans and the feasibility studies, sort of other external documents are considered attachments to the page limit and are not included in that page limit.

Oh, I think the final thing that I probably need to explain before we go forward is the milestone process. Which is people seem to be confused about how funds were going to be drawn down. The short answer is that your business plan needs to describe what you consider to be an appropriate schedule for drawing down funds tied to specific activities. So the loan agreements therefore will be basically custom loan agreements with each successful applicant that will set forth how the money will be drawn down, based upon the business plans put forward by the applicant. And with that I think will just will turn it over the questions.

Richard did you have anything that you wanted to say? Okay let's turn it over the questions.

Coordinator: If you wish to ask a question, please press * one and you must record your name. Please record it slowly and clearly so that I may introduce you to ask your question. Once again it is * one, please record your name slowly and clearly to be introduced.

Barbara Smith: And if you could also indicate if you are - what organization you are associated with and in what state you're located.
Coordinator: Please stand by for questions. I have a question from (Christian Bolden), please announce your affiliation and state.

(Christian Bolden): I guess I'm an individual who's interested and I'm calling in from Washington DC.

Barbara Smith: Okay

(Christian Bolden): Once applications are submitted, what's the turnaround?

Barbara Smith: As stated in the FOA, we anticipate notifying people of awards within 75 days of their notification that their application is complete.

(Christian Bolden): Thanks a lot, thank you.

Barbara Smith: Thank you.

Coordinator: Our next question is from Timothy Davis, please announce your affiliation and state, your line is open.

Timothy Davis: Timothy Davis, DVD financial services and I'm calling from Vermont. Are you open for my question now?

Barbara Smith: Yes.

Timothy Davis: I've been working with a actuarial firm for the last nine months on a proposal that we've already gone over with the state representative and a number of private and nongovernmental groups. We'd like to take this proposal and adapt to the co-op program.
Barbara Smith: Right.

Timothy Davis: Because I think it would automatically do, from what I've been able to read up on, we've already been with (unintelligible) at the state of Vermont and my question though is with the feasibility study financing.

Barbara Smith: Right.

Timothy Davis: Is there any - and maybe I misread or misunderstood, the process that we would like to try to undertake is whether we can finance back the upfront cost through a grant or matching grant program is that available? Or maybe I misunderstood how the reimbursement was going to take place. Does the feasibility study and the cost of generating the business plan prior to putting a co-op together and funding of reserves come out of the general fund essentially out of a single loan amount, or can we break that out and is there some grant funding where that will be reimbursed back to us? Or - could you please clarify that?

Barbara Smith: Sure. The - there is no grant funding, there are no outright grants under this program, they are not authorized by statute. Only loans are authorized by statute. You can if you are a successful applicant, the cost of putting together your feasibility study and your business plan can be reimbursed in the form of a loan. In other words, it would be part of your loan for startup costs. But the cost of the feasibility study and business plan incurred prior to awards can be included in the loan amount. So you can, if you are a successful applicant, use loans to pay for the cost of incurred in those studies.
Timothy Davis: So we have to guarantee the loans first, and then use those monies as they are approved according to the drawdown schedule, to pay the incoming bills for, you know, essentially the analytics, the legal work and the actuarial work?

Barbara Smith: Right, so in terms - you would have to, right, you would have to commit to payment I assume in one way or another or what other arrangements you worked out with the people that are preparing that for you. With the understanding that they could be paid from the loan money, provided you are successful.

Timothy Davis: Okay and the cap on that is $100 thousand?

Barbara Smith: Yes.

Timothy Davis: Is there a time limit? If you're successful with the application?

Barbara Smith: I don't understand, is there a time limit.

Timothy Davis: I guess this goes back to the other caller's question about the 75 day turnaround.

Barbara Smith: Right.

Timothy Davis: Meaning this is entailing one, what appears to me to be...

Barbara Smith: Oh your question is how far back, is that right? How far back...

Timothy Davis: Well if we're using loans right.

Barbara Smith: Right.
Timothy Davis: You're basically - I've already been working for nine months pro bono on this project.

Barbara Smith: Right.

Timothy Davis: So neither me nor the actuarial company have been paid a dime.

Barbara Smith: Right.

Timothy Davis: What we're looking at this point is, is this worth pursuing? Because I can tell you right now that the margins are looking mighty slim. And this goes to a question that I already emailed in.

Barbara Smith: Right.

Timothy Davis: The margin for paying upfront cost, based on premium dollars received, I don't foresee that that's going to be feasible. So if you're paying interest on a loan in addition to trying to fund your startup costs and fund your reserve costs with the premium generated, I don't know if we'll be able to pursue.

Barbara Smith: Okay so just to be sure that you understand the program. So the program provides loans for startup costs.

Timothy Davis: Sure.

Barbara Smith: Okay and so...

Timothy Davis: But that eventually had - those startup costs have to be absorbed into your - ultimately have to be absorbed into your premium structure.
Barbara Smith: Right, over time you have to be able to repay the loans over time and that has to be absorbed into your premium structure. That's correct. But you have a lot of time to do that. In other words, for startup costs you have a five-year period to pay back. And loans can be structured in different ways. They can be structured individually. And then for...

Timothy Davis: Okay, this is helping, thank you.

Barbara Smith: Okay, and for solvency loans, the payback period is 15 years.

Timothy Davis: Five-year loans on startup and then maybe I missed this. I addressed this in my email that I may have, I couldn't find where the structural components of the loans were and information that I had.

Barbara Smith: Well the structural component - I mean I would urge you to read the statutes, to read the proposed rules and the funding opportunity announcement and a lot of this is set forth in detail there.

Timothy Davis: Well it's like I say, can you direct me to a section or page or.

Barbara Smith: Well I think what you want to do is - I'm going to let Annie - (Anne Bollinger) explain it.

Timothy Davis: Yes sure, hi Anne.

(Anne Bollinger): Hi, if you go grants.gov, you can look the funding opportunities announcement by the CFDA number, and that's 93.545.

Timothy Davis: Ninety-three point five-four-five.
(Anne Bollinger): Or just by searching the keyword "co-op."

Timothy Davis: Okay.

(Barbara Smith): And I think I mean for everybody it is anticipated that the loan agreements will be - they will be sort of what I would call - they're individualized loan agreements tailored to the business plan and payback plan of each individual co-op, based on their market and enrollment assumptions and everything else, within the payback period. The interest rates are quite low.

Timothy Davis: Can you give me those?

(Barbara Smith): Yes, they are, and again that's stated in the funding opportunity - they are for startup loans they are Treasury rates minus 1% and for solvency loans Treasury rates minus 2%, calculated - the Treasury rates are - I mean the interest rates are fixed at the time of award.

Timothy Davis: Fixed at award, thank you.

(Barbara Smith): Okay.

Timothy Davis: Thank you very much for addressing my questions.

Barbara Smith: Sure my pleasure.

Coordinator: Our next question comes from (Nandini Kuehn) with the New Mexico Health Connections, your line is open.
(Nandini Kuehn): Hello thank you. This is (Nandini Kuehn) from New Mexico. Barbara, our question specifically relates to how we synchronize the application for non-IRS, nonprofit designation the 501(c)29.

Barbara Smith: Right.

(Nandini Kuehn): When you and I had one talk, you thought the application should be in process but not necessarily completed, the designation I mean. So can you help us understand how to apply, or do you know how to move forward with the 501(c)29.

Barbara Smith: Right, so I think a lot of this will depend on when the Treasury will send out a final notice on this.

(Nandini Kuehn): Okay.

Barbara Smith: Obviously you'll need to follow their procedures. But basically people are not eligible for it until they have received an award. Until they are actually a loan recipient.

(Nandini Kuehn): Okay.

Barbara Smith: Okay, and how Treasury sets up application process to allow you to have an application pending, you know, until notification of award or whatever, that'll just have to be Treasury procedures, IRS procedures.

(Nandini Kuehn): Okay so IRS designation is not contingent...

Barbara Smith: No, no, no, no...
(Nandini Kuehn): ...until, I mean at application for the funding.

Barbara Smith: Correct.

(Nandini Kuehn): Okay great thanks.

Coordinator: Our next question comes from (Althea Erickson) with Freelancers Union, your line is open.

(Althea Erickson): Hi there this is Althea from Freelancers Union. I have a quick question around incorporation. So we've been looking at incorporating a nonprofit entity that will ultimately offer insurance and understand that in many states, for the most part, those entities would have to be approved by the state insurance department before they would be able to incorporate. And so given that, we are wondering if it is acceptable to incorporate a more generic nonprofit that has a mission, to develop a co-op plan, but does not specifically had that stated purpose of providing insurance. And so wouldn't necessarily have to be approved by the insurance department prior to submitting the co-op application.

Barbara Smith: Let us get back to you on that. Obviously you can't become an issuer until very far down the road when you post insolvency money and that sort of thing. So, you know, what state - we'll have to get back to you in terms of figuring out, you know, whether state insurance departments sort of have - they have sort of a pending entity that's permitted. My guess, you know, my guess is easier to start from the beginning forming the kind of entity that insurance companies are accustomed to developing to issuers.

(Althea Erickson): Right, right I know I'm sorry I don't mean to interrupt, I was going to say that, yes that totally makes sense. And that would be the road that we definitely are
going to move forward on is to incorporate that entity that would ultimately offer insurance. We're just a little concerned that given that sort of timing and around the insurance department's themselves in various states, that that incorporation might not be complete and approved by the time the co-op applications would be due.

Barbara Smith: Alright well let us think about that. I think people have not had difficulty creating these separate entities and having them recognized by state (DOIs). But we'll post that answer on the Web.

(Althea Erickson): Okay, thank you so much.

Barbara Smith: Thank you.

Coordinator: Our next question comes from (Randy Rochelle) from Mitchell Williams.

(Randy Rochelle): This is Randy Rochelle from Mitchell Williams in Washington DC and I just had a real quick question about the actual structure of the co-op itself. Is it permissible for a co-op to have a target market? For example, if there is a group within the fishing or the mining or the agricultural industry, for example, can the co-op once it's up and running, continue to restrict its policyholders and therefore members to those particular industries?

Barbara Smith: The short answer to that is no. The co-op is subject to all market reform rules in the Affordable Care Act. And so included in that is guaranteed issue. So any co-op that receives a loan would have to be willing to open its doors to all comers, basically. It doesn't mean that your members couldn't be a part of that operation and could even have it identified as the fishermen's co-op, or the miners co-op or whatever, but it would have to accept all applicants who chose to join it on a non-discriminatory basis.
(Randy Rochelle): Thank you.

Barbara Smith: Thank you.

Coordinator: Our next question comes from (Jason Siegel) of Millenium, Milwaukee, your line is open.

(Jason Siegel): Hi this is (Jason Siegel) for Millenium. A client I do work for is a non-for profit organization they already own a subsidiary which is a for-profit insurance company. And what they're looking to do is the zoning entity the non-for profit would be forming a co-op. And based on the comments you made earlier on the phone call, it sounds like that's completely fine according to the it meets the restrictions of the of the co-op. Can you, A. confirm that that's correct that that meets the requirements; and B. can you elaborate on what restrictions there are surrounding members who are on the board of the co-op? And also let me know if there's any restrictions on say employees working for but the co-op and the for-profit entity?

Barbara Smith: Okay so in the NPRM, related entities are discussed. I would encourage you to look at that. A nonprofit organization that is not related to a nonprofit organization that is not sponsored by an issuer such as an insurance trade association can form a co-op, even though it does have a subsidiary that is a plan, provided that the co-op and the subsidiary issuer do not share the same CEO or any of the same board members. So there can't be any sort of cross governance between the co-op and the pre-existing issuer.

(Jason Siegel): Okay so it sounds like there's not really restrictions regarding employees. Probably an employee could work for both entities, or is that not correct?
Barbara Smith: The rule is silent on that. Do you want to bear with me just for a moment; I'll put you on hold for one second.

(Jason Siegel): Sure.

Barbara Smith: So consistent with the, you know, we'll get back to you in more detail, but consistent with the prohibitions on the CEO, it would probably depend on the level of employee. In other words if it was somebody with significant management control of the pre-existing issuer, then I think that would be problematical.

(Jason Siegel): Okay, that makes a lot of sense, thanks.

Barbara Smith: Okay, thank you.

Coordinator: Our next question comes from (Dick Mason) with New Mexico Health connections, your line is open.

(Dick Mason): Yes hi. The question I have is, if we're having the actuarial study done - the feasibility study, does that come out of, did that come out of the $100 thousand if we are awarded? Or does it come out of the startup loan?

Barbara Smith: Well it comes out of the - the $100 thousand that is awarded it is reserved for that amount. The $100 thousand is part of the startup loan, but you are allowed to use it for that purpose of the cost incurred prior to award.

(Dick Mason): Okay that will come out of that $100 thousand, okay thank you.

Barbara Smith: Thank you.
Coordinator: Our next question comes from (Dina Holsten) with the Health Choice of Michigan, your line is open.

(Dina Holsten): Yes good afternoon my name is (Dina Holsten), I'm calling from Michigan. And one question we had is can a three-share program become a co-op? And if so, what are the restrictions, other than licensing by the states insurance regulation?

Barbara Smith: Three share programs across the country have very different sort of sources of support for that third share. And some of them have locally set up a private foundation to continue to support that, or some other source where they are completely private. Others actually have a third of their support coming directly from a governmental entity. The latter under the current proposed rules, would have difficulty qualifying. And, you know, I would just point out that the proposed rule is a proposed rule. People are certainly free to comment on proposed rules, and we would encourage you to comment on the proposed rules. But if, you know, I am familiar with the three shares in Michigan, and I believe most of them have support from governmental entities.

(Dina Holsten) Okay.

Barbara Smith: So that would make - so that would be problematical under the current proposed rules. It could change in the final rule.

(Dina Holsten) Okay.

Barbara Smith: Those that have that are completely private would be able to move forward.

(Dina Holsten) Okay, thank you.
Barbara Smith: Thank you.

Coordinator: Our next question comes from (Donald Chew) with Reassurance Health Insurance Company in Chicago, your line is open.

(Donald Chew): Well good morning to everybody, can you hear me okay?

Barbara Smith: Yes.

(Donald Chew): My question is related to the reserve requirements. In the state of Illinois, we've been working with them for actually quite a bit amount of time here. And I think there's some confusion in regards to how the solvent, the reserve requirement would be treated from an accounting standpoint. And our talks with them with the division of insurance here, they are looking at that as debt, but I see in the FOA that it would be recognized as contributing to the reserve would acquisition. So would there be some conversation with the state of Illinois to resolve that? Because that makes a big difference in the statutory reporting.

Barbara Smith: Sure of course. So the Notice of Proposed Rulemaking or the proposed rule specifies that the solvency loan should be structured in a way that will satisfy the requirements of state insurance regulators to have the loan count as meeting the reserve requirement.

(Donald Chew): Okay.

Barbara Smith: So then that - at that point, the burden shifts to the co-op applicant here, to make sure that you have had the appropriate conversations with your state insurance department and that in your proposal that you reflect what is
required for us to do in the structuring of your solvency loan, to make sure that it qualifies for meeting reserve requirements.

(Donald Chew): Okay.

Barbara Smith: So it is not the obligation of CMS to figure that out.

(Donald Chew): Okay.

Barbara Smith: It's your obligation to figure that out and to provide us with information necessary to structure the loan appropriately.

(Donald Chew): No problem.

Barbara Smith: Thank you.

(Donald Chew): Thank you.

Coordinator: Our next question comes from (John Morrison) with NASHCO, your line is open.

(John Morrison): Hi this is John Morrison with NASHCO which is the National Alliance of State Health Cooperatives and first, I just wanted to make a comment to some callers that might not be involved with NASHCO calls, that some of the issues that are being asked about now are matters that are discussed in the weekly calls that NASHCO holds, and I would just encourage you become part of those calls, so the you compile this information and learn from others around the country as the projects move forward.
On the question side, just wanted to say to Barbara that you started to address this at the beginning of the call. I think there are number of people who are interested in the subject of how much is expected in the initial application and whether it's commensurate with the $100 thousand in recoupment that is possible under HHS's decision on that. And if you could just elaborate a little bit on the relative expectations of that application process versus the milestones that get continued startup funding incrementally. I think it would address a lot of concerns of a lot of projects out there.

Barbara Smith: Okay, I'll try. I mean it's a broad question. But I think that in terms of what the $100 thousand goes for, we are really looking at the actuarial feasibility studies, you know, that are able to project the market viability of your proposed co-op and your proposed target area over the life of the loan. The business plan, you know, the feasibility study and the business plan are pretty closely related. But we do expect to have a business plan that enables us with enough specificity to show that, A. you understand what it is, you being the co-op, the prospective co-op, understand all of the tasks that you need to undertake in order to build a new insurance company, how you are going to sequence those tasks, the amount of money that you need - you will require for the task.

How or at what point you will be doing things like entering into relationships with providers, building your IT systems, setting up all of your operational infrastructure. So that the people, the external reviewers that are reviewing your proposal will be able to see whether or not you have a clear understanding and a viable work plan for accomplishing this. In terms of the adequacy of the funding, I would just say that we CMS are not neophytes in the world of contracting for services.
We do it all the time, and we also have in our ranks those who have been on the consulting side of things before they joined us. And input from everyone on this side is that the money is - and it was based on those consultations that we arrived at this amount, is more than adequate to accomplish the task. I think that what we would hope to see in prospective co-op's, is the willingness and ability to be prudent purchasers. Because you will certainly need to be prudent purchasers, as you're organizing your co-op, in order to keep your premiums affordable. And to negotiate effectively with the people who will be providing the services.

In addition, a lot of the things that I know that people have been in terms of putting together management teams and things like that are not really considered planning costs; they're considered startup costs. We can't award money, we can't award loans based on costs incurred prior to award, other than the feasibility study and the business plans, because it is just too difficult from a program integrity point of view to be able to look back at those expenses and determine if they were appropriate, if the money was going for the purposes stated.

There's just too much potential for waste and abuse and just difficulty in accountability for pre-award costs. But in these two areas, we did make an exception to that because they are tied to a specific set of deliverables for a very specific set of activities. Does that help John?

(John Morrison): Yes very much I think that went right to it.

Barbara Smith: Thank you so much.

Coordinator: Our next question comes from (Bobbette Bond) with United Care Health, your line is open.
(Bobbette Bond) Hi this is (Bobbette Bond), can you hear me all right?

Barbara Smith: Yes, could you tell us what state you're from Claudette?

(Bobbette Bond): I'm from Nevada.

Barbara Smith: Oh I'm sorry, I didn't...

(Bobbette Bond): Don't worry, I get worse. I have a question similar to what the freelancers were asking. I'm trying to figure out how far along we would need to be in our state licensing in order for there to not be a concern on your end?

Barbara Smith: Well I think, you know, licensing is kind of an evolutionary process. So...

(Bobbette Bond): What are your expectations?

Barbara Smith: We do not expect people to come in with provisional licenses or anything like that. What we do expect is that you will have initiated discussions with your department of insurance that you understand what the requirements are, that you have a plan for being able to meet those requirements. And that you could describe and support that plan in a clear way and that there has been, you know, what I would, you know, a plan to develop the establishment to start a relationship with your department of insurance. So what the FOA asks for is to describe your the extent of your interactions with them and to put forth a plan for keeping licensure.

(Bobbette Bond): Okay.

Barbara Smith: So does that help you Bobbette?
(Bobbette Bond): Yes it does, it helps. I just couldn't tell how much I should read into the expectations and what that would incur and this helps a lot, thanks.

Barbara Smith: Sure I'm sorry; I just didn't hear her say your name correctly, so I apologize for that.

(Bobbette Bond): No problem. Thanks.

Barbara Smith: Thank you.

Coordinator: Our next question comes (Char Vrieze) with Cooperative Network, your line is open.

(Char Vrieze): Hi there I'm (Char Vrieze) with Cooperative Network, we are a Trade Association that represents co-ops in Minnesota and Wisconsin, and I believe that my question may have already been answered from Jason from Millennium’s question. You know we have a we've had a number of inquiries from interested parties, and one of them that keeps arising is again like I stated that similar to Jason's is that you know would there be an issue with the potential applicant applying as a 501(c)(3) or (c)6 after they've converted from a for-profit company, you know prior to the announcement of HHS?

Barbara Smith: Right, our reg, our proposed rule requires that it be a nonprofit, not-for-profit public purpose entity. So whether you were previously a for-profit, it really doesn't come within the scope. In terms of whether you can get 501(c)(3) status or (c)4 status, and then convert to a (c)59, I think you just have to take that up with the IRS. We're - that's beyond our pay grade.

(Char Vrieze): Got it, thank you.
Barbara Smith: Thank you.

Coordinator: Our next question comes from (Joseph Kelly) with Public Inc. in Washington DC, your line is open.

(Joseph Kelly): Thank you hi thanks so much for holding this. My question is about eligibility to receive - to apply and receive startup loans for a multistate approach. And it follows on some of the other questions. But is it permissible for a national nonprofit membership organization that's incorporated under the laws of a particular state to be considered an eligible applicant if it proposes to startup and establish a co-op in other states, multistate?

Barbara Smith: The primary issue arises that you were licensed as an issuer were in each state. So I think that the only issue would be whether the state's insurance regulator will allow you as something that's incorporated in a different state to, into their state and become a licensed issuer. Assuming that there is no problem with that, the main point here is that you have to become a licensed issuer in each state in which you will be offering enrollment.

(Joseph Kelly): Right, that makes sense. It's this, again getting at this application and pre-award or timeframe. So to be able to apply and receive the loan, understanding that bears regulations and certifications and licensing requirements that might be down the road the issue is can you apply it to a single entity that might be incorporated in one other state currently to operate, to propose to operate in multi-states.

Barbara Smith: Yes, I think the answer to that is yes. But we will - we're going to confirm that and post an answer on our Web site.
(Joseph Kelly): Okay I appreciate it, thanks so much.

Barbara Smith: Thank you. Bear with us just one second. Alright I'm sorry we're ready for the next question or follow-up whenever.

Coordinator: Our next question comes from (Al Mytty) with Healthcare Assets Management, your line is open.

(Al Mytty): My question relates to the repayment schedule. In the proposed rules, it mentions flexibility and includes a concept such as a grace period, graduated repayments, or balloon payments. So my question is, does an applicant in developing the business plan, is it up to the applicant to make some assumptions about that repayment schedule? Or would you counsel that the applicant has to whether that repayment schedule is feasible.

For example, if the applicant says we're assuming a two-year grace before we start repaying the loan. Or we're assuming a balloon payment at the end of, you know, six years and very small incremental repayment amounts on the loan prior to that. Is that something the applicant is supposed to build into the business plan, and if so do you counsel them as to whether that's acceptable?

Barbara Smith: So what we are saying is that the applicant should propose in its business plan in the application the repayment schedule that it thinks is feasible, based on its feasibility studies, business plans, how the repayment is going to be built in to its premium. And that will be one of the things reviewed. I would just remind everybody that with those - with applicants that are considered to be likely award recipients, that CMS reserves the right to come back and either discussions with the applicant on the terms of the loan agreement. So that if there were things that wanted to be - that we felt needed to be changed in that - in the loan agreement, that we would negotiate at that point.
(Al Mytty): Alright thank you.

Barbara Smith: Thank you.

Coordinator: Our next question comes from Larry Thompson, sir please state your affiliation and the location that you're from.

Larry Thompson: Yes, this is Larry Thompson, I'm with Watcom Alliance in Washington State. And my question has to do with the kinds of business relationships if any that might be contemplated existing third-party payers to be more specific in the business plans that would be submitted is it permissible to contemplate using a third-party type arrangement to do functions like claims or IT or reporting, things of that sort and even to the point of jointly pledging statutory capital toward state insurance requirements, solvency requirements?

Barbara Smith: So you're talking about relationships with TPAs and not issuers, is that correct?

Larry Thompson: It could be either.

Barbara Smith: Okay.

Larry Thompson: And if you are seeing the difference between the two, which I suspect you are, I'd like to be able to verify that.

Barbara Smith: Okay, so to be sure that I understand your question certainly the proposed rule and the Advisory Board Report anticipates contractual relationships with third-party administrators to provide a lot of the operational functions or as many of the operational functions as the prospective co-op deems necessary
and also enable them to perhaps to contract for those services, with existing issuers.

Larry Thompson: Uh-hum, Okay.

Barbara Smith: To the extent that existing issuers are providing financial support and the sponsorship of the co-op, that would be prohibited by the statute.

Larry Thompson: I see.

Barbara Smith: Okay, but that would not be true of third-party administrators.

Larry Thompson: Uh-hum. And what about, let me step back. In our state we've had instances of health plans meeting their statutory capital hurdle by basically borrowing the existing statutory capital of other entities. I know of course that the co-op program envisions a loans for that, but if we chose not to have a loan, I'm assuming that that would be a preemptive activity to borrow someone else's statutory capital reserves.

Barbara Smith: We would have to get back to you on that.

Larry Thompson: Okay thank you.

Barbara Smith: Thank you.

Coordinator: Before we take our last question I would just like to remind parties to please press * one, and please record your name if you would like to ask a question. Our last question at this time is a follow-up from Timothy Davis. Sir, your line is open.
Timothy Davis: Thank you I just had a question going back to the guaranteed issue.

Barbara Smith: Right.

Timothy Davis: Do all the CO-OPs have to have to the operators guaranteed issue and Vermont being a guaranteed issue state?

Barbara Smith: Right.

Timothy Davis: We had already created a proposal that was directed specifically at the small group market which would be 50 or less.

Barbara Smith: Right.

Timothy Davis: Is that going to create a problem, meeting the demands of application?

Barbara Smith: Okay so - and operator, if I could just interrupt you a minute, operator we are willing to go into 1:30, I believe we have a line reserved until 1:30, if you're available. I'm not sure she heard me, but that's okay.

Timothy Davis: So I don't know if we would have to, but we've specifically targeted one of the callers, I forget exactly which one had requested about, you know, specifically targeting industry groups. In this case we were looking at, you know, the whole state of Vermont, we're only looking at a relatively small pool.

Barbara Smith: Right so the rule requires the co-op must be willing to offer - must offer plans in the individual market and have the option of offering them in the small group market.
Timothy Davis: Okay so we - thank you that is very helpful and has been overlooked. So we must offer - and we would preferred to that, must offer individual market and optionally offer small groups?

Barbara Smith: Correct.

Timothy Davis: Okay.

Barbara Smith: Operator are you available?

Coordinator: Yes ma'am.

Barbara Smith: Okay so I just - we are willing to go until 1:30 to answer questions, and I believe we have the time reserved until 1:30, is that possible?

Coordinator: That's correct.

Barbara Smith: Okay thank you. So we have another 30 minutes then, is that correct?

Coordinator: Correct.

Barbara Smith: Okay thank you.

Coordinator: Your next question comes from (Susan Freed), please state your affiliation.

(Susan Freed): I'm with the Davis Law Firm in Iowa, and I think you answered my question just now. But I guess, if you're a co-op and you want to offer coverage to the small group market, is there any way under the current proposed rules for the member to be considered the employer, rather that the individual employees covered by the plan?
Barbara Smith: No, the members are the insured lives. So the employer can certainly be a member of the co-op if he if the employer himself is enrolled as a member of the co-op. But all of the enrolled members would be eligible to vote and to serve on the Board of Directors and would elect the Board of Directors.

(Susan Freed): Thank you.

Barbara Smith: Thank you.

Coordinator: We have a question from (Adam Schwartz) with NCBA, your line is open.

(Adam Schwartz): Oh hi this is Adam Schwartz with the National Cooperative Business Association, thanks Barbara and your team once again. My question is in regards to existing cooperatives that are members of healthcare co-ops. If they wanted to provide any assistance and potential governance and the part of the new co-ops that are being formed, is there issue that you would see with that? These entities would are currently members of healthcare clubs. They are themselves are not the insurer or issuer.

Barbara Smith: Right so there healthcare purchasing cooperatives, is that correct?

(Adam Schwartz): Yes purchasing or they are in some way getting their benefits through a co-op.

Barbara Smith: Okay, but they themselves are not issuers, is that correct?

(Adam Schwartz): That's correct, but they are part of the co-op and because of co-op ownership structure, does that disqualify them?
Barbara Smith: Adam, I think we're going to have to answer that online. We're having a little bit of difficulty sort of understanding the exact structure and relationships that you are talking about. So maybe we can have a conversation off-line and post the answer online so that we can get more detailed description and understand what the structure is better.

(Adam Schwartz): Okay certainly thanks.

Barbara Smith: Thank you.

Coordinator: Once again if you'd like to ask a question please press * one and record your name at this time.

Barbara Smith: Hey, operator, if I could, I would like to clarify a preceding answer which is that in terms of whether small businesses being a business would be considered the member, I would just point out that in the proposed rule and in the FOA, that co-op can designate certain seats on the board for employers, for employees, for bankers, for whomever, providers as long as those designated seats that are not members of the co-op, are a minority of the seats on the Board of Directors. And those designated seats, the people serving in those designated seats would still have to be elected by the members of the co-op.

Coordinator: I have a question from (Jill VanDenboss) with Milliman, your line is open.

(Jill VanDenboss): Hi this is Jill in Denver I wonder if you could talk a little bit about the application dates distribution of funding given to application dates listed in the FOA. For example there's a first round application date to a you have a thought regarding distribution of funds preferable to people who get
application in by that date, or how are you envisioning distributing the money?

Barbara Smith: Well let me just say sort up before I give you a direct answer to that question the most important thing is that your application be the best application that it can be. So it would not make sense for you to submit a weak application trying to meet the October 15 deadline when you could submit a stronger more thoughtful, more robust application on December 31. The money will basically be awarded on the basis of the strength of the application. So if 20 applications come in on October 15 and I'm sorry I mean October 17 October 17 and 15 of them are extremely robust and suggest a bright future my guess is that those 15 would be awarded. So money is not being designated for a specific application. Successful applications draw on the entire pot.

(Jill VanDenboss): Given that is there not, let's say your scenario happens 20 applications arrive for the first round deadline and you really like most of them, is it possible that those applications could use of the funds and then applicants thereafter will have less to draw from for the money would've run out, something like that?

Barbara Smith: Let me just say that notwithstanding the numbers we about government budgeting generally - $3.8 billion is a lot of money, and we just don't, you know, it is not our expectation that this money is going to run out for applicants in the first round or the first several rounds, it's a lot of money.

(Jill VanDenboss): Okay thanks.

Coordinator: Our next question is from (Melissa Duffy) with Healthcare 21, your line is open.
(Melissa Duffy): Hi Barbara thanks again for all your help. I’m representing groups in South Carolina and Tennessee, can you hear me okay?

Barbara Smith: Yes.

(Melissa Duffy): Okay great. I was just wondering do you envision an end date to the draw down of startup funds? So the co-op decided that it was more cost-effective to use a third-party for some, you know, maybe claims processing or something like that, and then build that capacity as they grow, could they still use startup funds post 2014?

Barbara Smith: So you're asking if you could use private money up to 2014 and loan money after 2014? Is that your question basically?

(Melissa Duffy): No, I'm asking if your business plan was to use a third-party for say claims processing through the middle of 2014, but then build the capacity in-house to do claims processing after that, can you use startup funds for all of that?

Barbara Smith: I don't think there's anything that would prohibit that. You have to be ready to offer a plan within a certain amount of time of your first draw of the startup funds.

(Melissa Duffy): Right.

Barbara Smith: But I don’t think there is anything that would prohibit that.

(Melissa Duffy): Right I think there's just some things that urged probably more cost-effective in the very beginning...

Barbara Smith: Yes of course.
(Melissa Duffy): to outsource and then in source in the long run.

Barbara Smith: Right and so that's the kind of thing that should be built into your business plan.

(Melissa Duffy): Thank you so much.

Barbara Smith: Sure.

Coordinator: We have a question from (Roger Neece) of DC Regional Co-Op, your line is open.

(Roger Neece): Yes hello my question concerns the potential for a phased application. It seems that the FOA contemplates a single application that whatever application date you choose for both the startup insolvency funds. Is there potential for a more limited application for startup funds only for example the October 17 date that would cover say a period of the first 270 days of the co-op stand up and then an additional application for startup funds and then application for solvency farms, you know post that once all the nits have been worked out with respect to the regulatory capital?

Barbara Smith: And the short answer to that Roger is no and the reason for that is that we want that when somebody files an application for these loans, they need to demonstrate from the beginning that they have a plan to become operational, be able to achieve licensure, post solvency loans, accept enrollment, and that they have to be a coherent plan from the first drawdown to the final posting of the solvency reserve.
If an application does not demonstrate that it has thought through the process all the way, then that means that the startup money that's being awarded is much more at risk of not being repaid. So there has to be a coherent plan provided to CMS that shows an ability to set up an insurance company from A to Z, when you come in from the first start out. Otherwise, the risk of the startup funds going down the drain are too high.

(Roger Neese): all right.

Barbara Smith: Okay thank you.

Coordinator: We have a follow-up question from (Don Chew), your line is open.

(Don Chew): Good afternoon it's (Don Chew) again. I'm wondering under the eligibility information in the FOA they mention or make reference to silver and gold health plans.

Barbara Smith: Right.

(Don Chew): Is there any information, I mean I had plan designs already, I just want to make sure that I'm in compliance, is there any way that I can see what those plans entailed and compare that to what I have?

Barbara Smith: Right. What will constitute the silver and gold level plan is going to be based on what the essential benefits package is and that is something that will come out through I believe the exchange regulations, the exchange rules. And those rules have not been developed yet; we have not received as yet the recommendations defining what should be in the essential benefits package.

(Don Chew): Okay so that's forthcoming.
Barbara Smith: Yes it's forthcoming.

(Don Chew): Okay thank you.

Barbara Smith: You should probably, all applicants should probably keep a weather eye to both the exchange rules as well as the co-op rules.

(Don Chew): Okay.

Coordinator: I have a question from (Gary Packingham) with Community Health Ventures, your line is open.

(Gary Packingham): Thank you. Yes Mesquite Michigan, following up on an earlier question and the putting in of applications in October versus December or later going to the letter of intent, if an organization were to file a letter of intent with plan of applying for the December deadline, but filed a letter of intent previously, then another organization a second organization were to file in October, how are you going to regard the letter of intent with respect to a previous application where they may both have the same area geographically?

Barbara Smith: Well I think, we obviously can't make any decisions on the basis of a letter of intent. The letter of intent is optional and informational only and it's for our purposes and it just helps us in our planning. And so we can, you know, we can't make any commitments on the basis of the letter of intent.

(Gary Packingham): Okay, I think what the concern is then it's probably better to both one going back to recommendation, have the best plan that you can be and secondly have it as quickly as you can.
Barbara Smith: I think that's right. And I think that's right for not only that reason but also because it takes time to set up a new insurance company and perspective co-ops will need as long a runway as they can get. The fall of 2013 will be here before you know it. So we would encourage people to, as I have said on previous calls, saddle up and ride.

(Gary Packingham): Thank you very much.

Barbara Smith: Thank you.

Coordinator: Just a reminder please press * one and record your name if you wish to ask a question. We have a question from Alan with the WCS, sir please state your last name and your location.

(Alan Distant): Hi this is (Alan Distant) from Arizona. I have a question around requirements for the feasibility study, is that required to be an independent third-party or can the foundation board certify that? Can you explain this a little better?

Barbara Smith: Bear with me just a second. We have a quick question asking for clarification.

(Alex Pereira): What part of the certification are you talking about, because there are different certifications depending on the part of application you are referencing?

(Alan Distant): It's a feasibility study in terms of the market study pro forma, etc. financial.

Barbara Smith: So we do we don't specifically require that an external party do the feasibility study. It’s just that most applicants will not have the expertise to do that, the actuarial expertise to do that. Which is why we expect that most people will contract for the services. So the certification is if you certify, you know, the accuracy of what you're preparing. So it's not required to be external.
(Alan Distant): Thank you.

Barbara Smith: Thank you.

Coordinator: Once again if you wish to ask a question please press * one and record your name. We have a question from (Cheryl Charlton) in New Mexico your line is open.

(Cheryl Charlton): Thank you the question I have is if the individual mandate portion of healthcare package is overturned or other key provisions are be funded, what is the effect on the co-op's obligation to repay the funding, since there's been a change in the financial assumption? What is the liability financially or legally of the founders award the organization for the loan?

Barbara Smith: Well I mean first of all it is expected we have no expectation that the individual mandate is going to be overturned. That's number one. Number two, the loan agreement is a contractual agreement just like any agreement and obligations under it would, you know, are contractual obligations. The FOA permits modifications of the loan agreement if the business plan needs to be modified and so and that may, you know, happen. We provided that option to account for just general market changes that may require updating of the business plan. Changes in state regulatory requirements, significant changes in the market composition of the enrollment, things like that. So that option is out there. As Anne Bollinger has just reminded me, you know we require in the FOA the business plan to be updated annually to reflect where reality has changed, the difference from expectations and that would be part of the reporting requirements of the co-op.
Coordinator: The next question comes from (Mark Me) with Consulting Underwriters, your line is open.

(Mark Me) Oh thank you the exchanges are to have a reinsurance function were pulling function which will be critical to the successful financial cooperation of the co-ops. How is that envisioned to be used in areas where a multi-plan would have a multistate plan would have exchange operation both from the state and federal level?

Barbara Smith: So I think, you know, it's a very complex question but I think the main thing to keep in mind is whatever exchange the co-op is operating in, you would be operating according to the rules and contribution rates and everything else of the reinsurance system set up in that exchange in that state. So if there were if you were a multi-state co-op, you would and so therefore your co-op would be operating in exchanges in different states, you would then operate according to whatever the reinsurance processes were established for that exchange.

(Mark Me) Thank you.

Coordinator: We have a follow-up from Tim Davis, your line is open.

Tim Davis: Thank you and thanks for taking my call again since as I mentioned I have already been working with an actuarial group and we've already been to our banking and insurance department we were looking at actually providing the function of a reinsurance organization. Is that feasible within the scope of the co-op?

Barbara Smith: A co-op is not a reinsurer, the co-op is a direct issuer.

Tim Davis: So it would have to be a direct issuer?
Barbara Smith: Correct.

Tim Davis: Okay, I wanted to just clarify that. My second question is in the feasibility study, if we do address any of the expenses that we've already incurred, I'm assuming you have the appropriate vehicle that is legitimately documenting that and also limit them, but that is that's within the scope of the feasibility study that there already have been expenses occurred prior to the application.

Barbara Smith: The only expenses incurred prior to the application that may be covered by the startup loan are those related to creating the feasibility study and business plan. And no other previously incurred pre-award incurred costs will be covered by the startup loans.

Tim Davis: Okay, and is there any limit, I know the biggest stumbling block that we ran into is demographic data. I mean to actuarial assumptions are only as good as the demographic data that and economic data that can be plugged in.

Barbara Smith: Right. Right, so I think if I understand your question, it would be important in the feasibility study for the feasibility study to show what the basis of its data is, what data is relied on, what its methodology was. Everything would have to be transparent, so that the external reviewers of the proposals can determine whether the feasibility study is valid.

Tim Davis: Okay, I guess what the biggest stumbling block I'm seen I know when we went to this date that the biggest problem they were seeing was who was going to own this entity was in this case now most of that data all the demographic data already lies in the hands of the existing issuers. Meaning they've got years and years of data. It's a question of what kind of relationship are you going to form with them when you start to come in, you know
relatively small pool, where there's very little I mean there's virtually no difference in the existing premium cost structure.

Barbara Smith: Right well it's not a perfect proxy. I mean if you're looking at sort of health status indicators and that sort of thing, I mean there is lots of publicly available information on the health status of different populations in different areas.

Tim Davis: Okay.

Barbara Smith: You know, rates of diabetes, rates of cancer.

Tim Davis: Sure sure, but I mean those publicly accessible numbers as far as the data source are what you're expecting and are feasibility study.

Barbara Smith: Yes.

Tim Davis: Okay, thank you thank you very much.

Barbara Smith: Sure, and I'd like to amplify a prior question about personal liability of the founders, which I just failed to answer. Nothing in the statute or the proposed rule or the FOA anticipate personal liability of the founders of the co-op. But ultimately, you know, it's going to be your responsibility under your state law where you're incorporating to make sure that you have set up an entity that protects the founders from personal liability. That, I mean ultimately you have to determine what the appropriate vehicle is under state law to do that and how to protect the founders from that.

Tim Davis: Thank you.
Barbara Smith: Thank you.

Coordinator: The next question from is from Tim Garrett from Signature Medical Group in Missouri, your line is open.

Tim Garrett: How are you guys doing? What I'm curious about is how would CMS view two applications from the same state that would potentially both the strong, robust applications and might have crossover of a geographic area. And in second specifically from Missouri, I think at the present time the exchange legislation has failed and so from that viewpoint how would you guys actually be looking at each stage on a bases of whether or not they are you know what they're doing on a local level?

Barbara Smith: So to answer the second question first, the affordable care act provides that if the state is not able to establish an exchange, the secretary will operate one on their behalf. So there will be an exchange in every state.

Tim Garrett: Okay.

Barbara Smith: Co-ops will be able to operate in every state. Secondly, in terms of co-equal applications with possibly overlapping market areas, I would just say that, you know, assuming all things are equal, never happens in reality. Because all things are never equal, but having said that, the goal is to be sure that as many people as possible in a state have access to a co-op. And, you know, they were equally strong applications that were robust and promising but overlapping marketing areas, we assume that there would be some effort to work with the applicants to make sure that the overlap did not interfere with actuarial soundness of the proposal.

Tim Garrett: Okay, thank you.
Barbara Smith: Thank you.

Coordinator: We have a question from (John Jemison) from Workers Cooperative, your line is open.

(John Jemison): Barbara, John Jemison here. Let me ask you a question about the direct insurer, and insurer issue. Can they not reinsurer their risk or do they have to accept all the losses?

Barbara Smith: I'm sorry John could you repeat your question?

(John Jemison): I understand that based on what you said a while ago they have to be a direct insurer and cannot reinsurer any of their losses to the third-party.

Barbara Smith: No no, it is not that there could be no reinsurance, it's just that the co-op itself must be a licensed issuer and a direct insurer of health risks. It must provide direct insurance for covered loss.

(John Jemison): Good so they can reinsure some of their losses just like the conventional insurance market does today?

Barbara Smith: Yes, yes and one of the things that is in the review criteria that we will be looking at is the extent to which a prospective co-op is in fact actually bearing risk or transferring risk.

(John Jemison): Right okay. How about agents commission, is there any rules or regulations about agents commission? As I understand it a co-op does not have to pay an agent's commission.
Barbara Smith: No there's no exemption for that. A co-op, you know still has to operate as an insurance plan in its market, it has to make business decisions, it has to decide what's the best way to increase its enrollment. And so there's no prohibition against a co-op using brokers. They just have to make a business decision about how much they're going to pay brokers, to what extent, you know, that cost is, to what extent their premiums can bear that cost.

(John Jemison): Right, they can be a direct writer also without paying any commissions.

Barbara Smith: They do not have to use or they are not required to use brokers and they are not prohibited from using brokers.

(John Jemison): Thank you.

Barbara Smith: Thank you.

Coordinator: And we have a follow-up from (John Morrison) with NASHCO, you're line is reopened.

(John Morrison): Thank you first, and Barbara I want to just I guess point to a couple of the questions that I said in yesterday that haven't been addressed yet. But first I want to continue on something that Mr. Jemison was addressing, with respect to reinsurance. NASHCO is in the process of establishing a reinsurance entity through NASHCO and heard you say that the applicant evaluators will be looking at the extent to which co-ops are bearing versus transferring risk. And so the first question would be in connection with that preference is given to co-ops that bear more risk than co-ops that transfer a responsible amount of risk. What did you mean by that?
Barbara Smith: Well I think that our reviewers are going to have to determine what they consider to be an appropriate level of risk. I think that, you know, obviously market norms will inform that.

(John Morrison): Okay. Then a couple of things that we have not talked about that were on the list of questions that we sent in yesterday, one regards private support and what the department is looking for, particularly in terms of integrated care models. And another question is you said 62% of the application will be weighted on the base of the business plan or the business plan will represent 62% of the evaluation of application. And presumably in the 38 remaining percent the feasibility study is part of that, and perhaps you could add some detail to what else would be in that 38%?

Barbara Smith: Well I think that pages 40 to 44 of the funding opportunity announcement set forth all of the elements of application and how much and how many points that they will be weighted. So, you could just, I would just recommend that you look to those pages because it sets forth very clearly how different areas will be weighted.

(John Morrison): Okay, sorry.

Barbara Smith: That's okay.

(John Morrison): Yes and then there's the issue about the private support expectation and particularly in terms of integrated care models. I know that's ongoing area of interest.

Barbara Smith: Right, so we did rely on the Advisory Board recommendation for private support, which is that it basically is committed funding. That is actual alternative sources of money, in-kind support, people donating services or
space or anything like that. Letters of support from key stakeholders, letters of support or intentions to participate from provider groups. These are the kinds of things, support from key community leaders.

So there's a whole range and it pretty much follows the Advisory Board verbatim. In terms of integrated care, that also pretty much tracks the Advisory Board definition of integrated care and indicates that we are looking for any kind of approaches that result in structurally improving the coordination of care, feedback on the quality of care, better outcomes. There's a whole definition that's actually set forth in the FOA. And it very much corresponds to the definition that was provided in the Advisory Board report.

So it's not simply, you know, bricks and mortar structurally integrated care like a clinic or Mayo Clinic or something like that. It also includes use of medical homes, accountable care organizations, primary care, you know, improved management, better management of chronic disease, there is a whole list of things that are included in that. And it is at page 40.

(John Morrison): Thank you.

Coordinator: We have a follow-up question from (Al Mytty) with Healthcare Assets Management, your line is open.

(Al Mytty):  This is kind of a follow-up question of the gentleman from Missouri, if you have two applications from applicants in a state, one would be proposed a statewide co-op but their relationships with providers, you just mentioned provider relationships, is not as strong as another applicant that is a regional plan, but has very strong relationships with provider in that locality. Is there anything that would prohibit you from awarding loan funds and so on to co-
opts in the same state with service areas that would so that those co-opts would compete against each other?

Barbara Smith: Well I think the only issues, you know, as we said we provide, you know, five points, five additional points for having better coordinated care, five points for private support and six points for statewide. And people will receive points along that range, along that spectrum right. It won't be an all or nothing situation. There is nothing that prohibits multiple co-ops in the same state and in fact the statute is quite explicit on that. And the only concern would be whether or not the overlapping market area would affect the actuarial soundness of the co-op. Assuming that they would bring different things and bring different strengths and be able to compete in the same area, that the size of the market was large enough to enable competition. There's nothing that precludes that. It's just going to be a call by the review board, the external review board.

(Al Mytty) Okay thank you.

Barbara Smith: Thank you.

Coordinator: Once again if you'd like to ask a question, please press * one and record your name. We have a follow-up from (John Jemison), your line is open.

(John Jemison): Barbara, John Jemison here again. How did you pick and when was October 17, 2011 picked as a date? Is anything magical about that?

Barbara Smith: Well, it is the due date, so if you don't have your application in by October 17, the next time you submit an application is by December 31. Oh okay. Okay, and it was just, you know, trying to provide a balance, trying to provide
adequate time to prospective applicants to prepare the applications and at the same time make money available as soon as possible.

(John Jemison): Oh I see good. Good idea thanks.

Coordinator: And we have no more questions at this time.

Barbara Smith: Okay thank you so much we appreciate your assistance and we very much appreciate everybody's participation in the call.

Coordinator: That does conclude today's conference call, we thank you all for participating. You may now disconnect and have a rate day.

END