

Governance Subcommittee

Proposed Recommendations

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Overview of Recommendations with Consensus (1 of 1)

- A CO-OP can be formed by a variety of organizations including but not limited to nonprofit organizations, professional group practices, and business entities, but the resulting CO-OP must be governed principally by its members.
- Language regarding eligible pre-July 16, 2009 issuers beefed up to ensure eligible prior nonprofits are only those that had the mission of covering underserved and uninsured populations

Recommendations That Required Further Discussion (1 of 4)

Final Proposed Recommendation:

CO-OP Conversion or Sale to a For-Profit or entity that is not a CO-OP – request to provide for permanent HHS veto over conversion in “Conversion” section was not accepted

Rationale: Strengthening conversion restrictions should address Advisory Board concerns. Moreover, permanent HHS veto might be seen by some as too much federal governmental regulation

Recommendations That Required Further Discussion (2 of 4)

Final Proposed Recommendation:

CO-OP Conversion or Sale to a For-Profit or entity that is not a CO-OP– “Conversion” section language added to strengthen conversion limits and penalties

Rationale: Additional language is intended to provide conversion benefit to members, to ensure no board and management enrichment upon conversion, and to recapture grant/loan benefits so that consumer and taxpayers are the program’s beneficiaries

Recommendations That Required Further Discussion (4 of 4)

Final Proposed Recommendation:

A nonprofit insurer who was an issuer prior to July 16, 2009 may dissolve and an eligible new CO-OP may be formed, but a prior insurer's board directors are permanently barred from serving on the new CO-OP's board

Rationale: To allow prior entity's board directors to serve on the new CO-OP board would likely be seen as violating the CO-OP statute

Recommendations That Required Further Discussion (3 of 4)

Proposed Recommendation (Not Accepted):

Delete 5.f. of “Relationship” provision that states “The entity may carry over the management team and assets of the former organization”

Rationale: Advisory Board members were concerned this language could be read to create the possibility for a “Trojan Horse” so it was eliminated

Questions?