



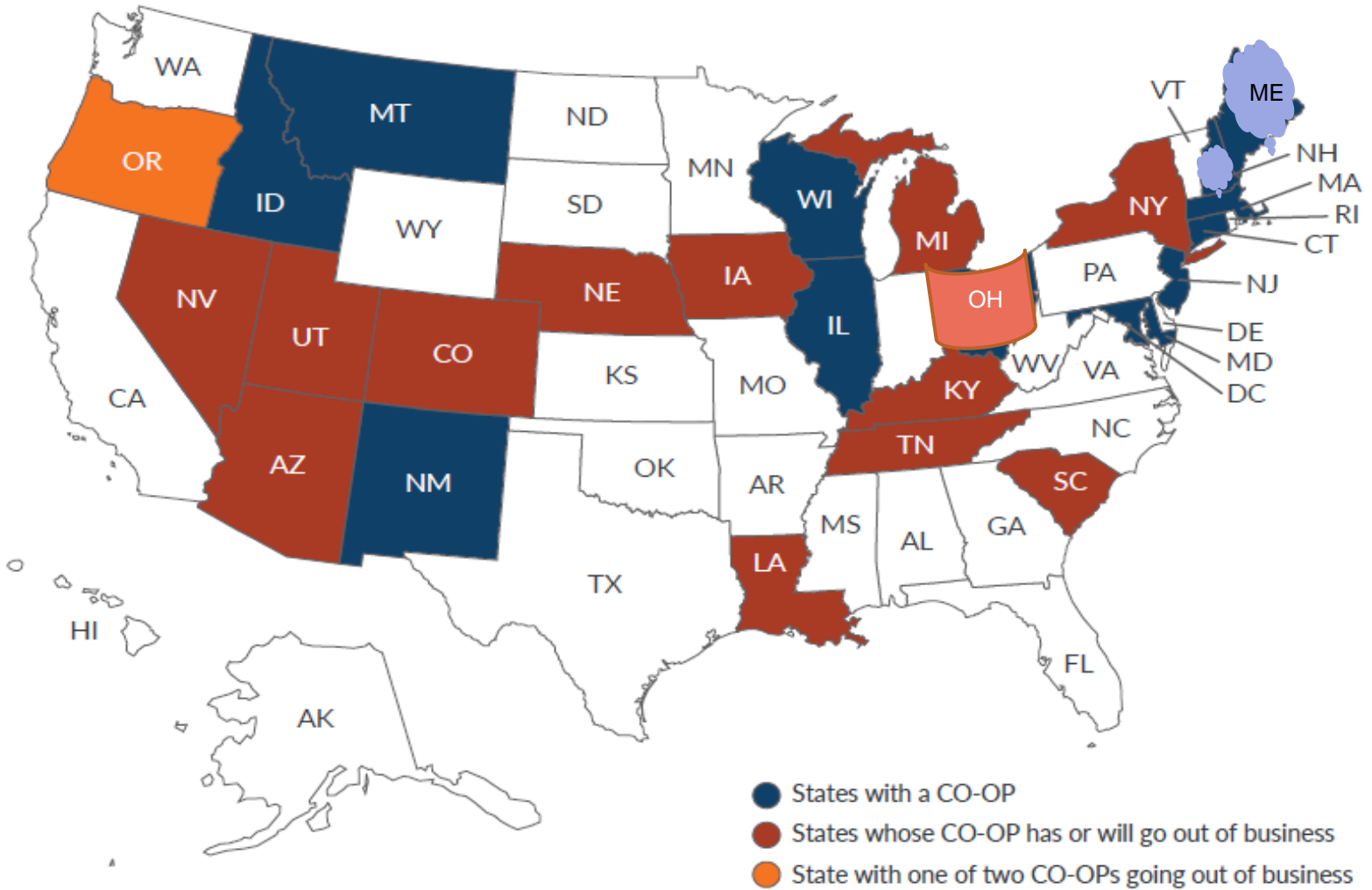
## Southeastern Actuaries Conference - CO-OP's - Where are they now?

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# CO-OP's - Where are they Now?

- **CO-OPs - State of the Union**
- **Background**
- **Start Up Challenges**
- **CO-OPs Today**
- **Risk Adjustment**
- **Current CO-OP Experience**
- **What's Next**

# Status of Healthcare CO-OP's



Commonwealthfund.org December 2015

Ohio Failed May 2016

Maine/NH enrollment freeze as of 12/2015

# Formation of CO-OPs under ACA

- **Not for Profit & Member Owned and Operated (Member Board governance)**
- **Increase Competition**
- **Low interest loans –**
  - **Startup – Debt**
  - **Solvency - Surplus**
- **Original ACA allotment - 6 Billion**
- **ACA created “level playing field”**
- **CMS preference for integrated care models**
- **Goals for Statewide coverage**

# Early Policy/Regulation Challenges

- Marketing – could not use startup loan
  - “Community Relations”
- Diversification limited
  - Substantially all business must be from individual or small group markets (became 2/3)
- Budget agreements cut funds to 2.4 billion
  - 23 CO-OPS in 25 states
- Transitional plan rule changes late 2013
  - “If you like your plan you can keep it”
- Limited private capital opportunity

# Pricing and Enrollment Dynamics

- Place your bet - “All in”
- Feast or Famine Enrollment
  - **Controlled Growth very difficult**
- Pressure for immediate membership
- 2014 and 2015 rate set before Risk Corridor budget neutrality requirement
- Group markets slower to adopt new plans
  - **Broker confidence in operations**
  - **Monthly renewing**
  - **Networks for individual vs group**

# Operational Challenges

- **Startup timeline**
  - **Networks**
  - **Claim systems**
  - **Clinical Ops**
  - **Regulations**
  - **IT/Edge Server**
- **Dependence on vendors**
- **Vendors in high demand**



# Financial Challenges

- **Pent up demand, illness burden, specialty Rx**
- **Financial Projections**
  - IBNR (no history, TPA's, newly insured, exchange eligibility, 90 day grace)
- **Temporary Reinsurance**
  - Waiting for reimbursement
- **Risk Adjustment**
  - Wide variability with large potential payouts

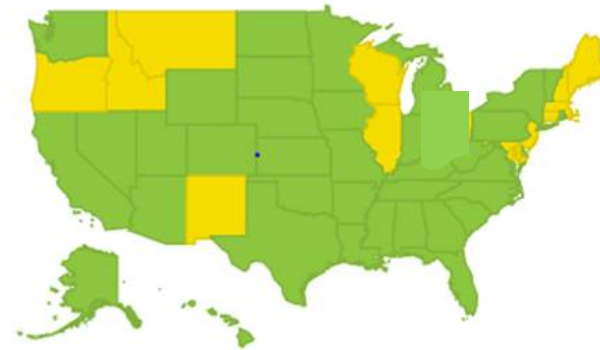


# Financial Challenges

- Risk Corridor
  - Stability mechanism for pricing risk
  - Budget neutral deal December 2014
  - 2014 12.6% payment announced October 2015
  - 2014 remainder paid with future collections?
  - 2015 uncollectable completely?

# Remaining CO-OP's as of today

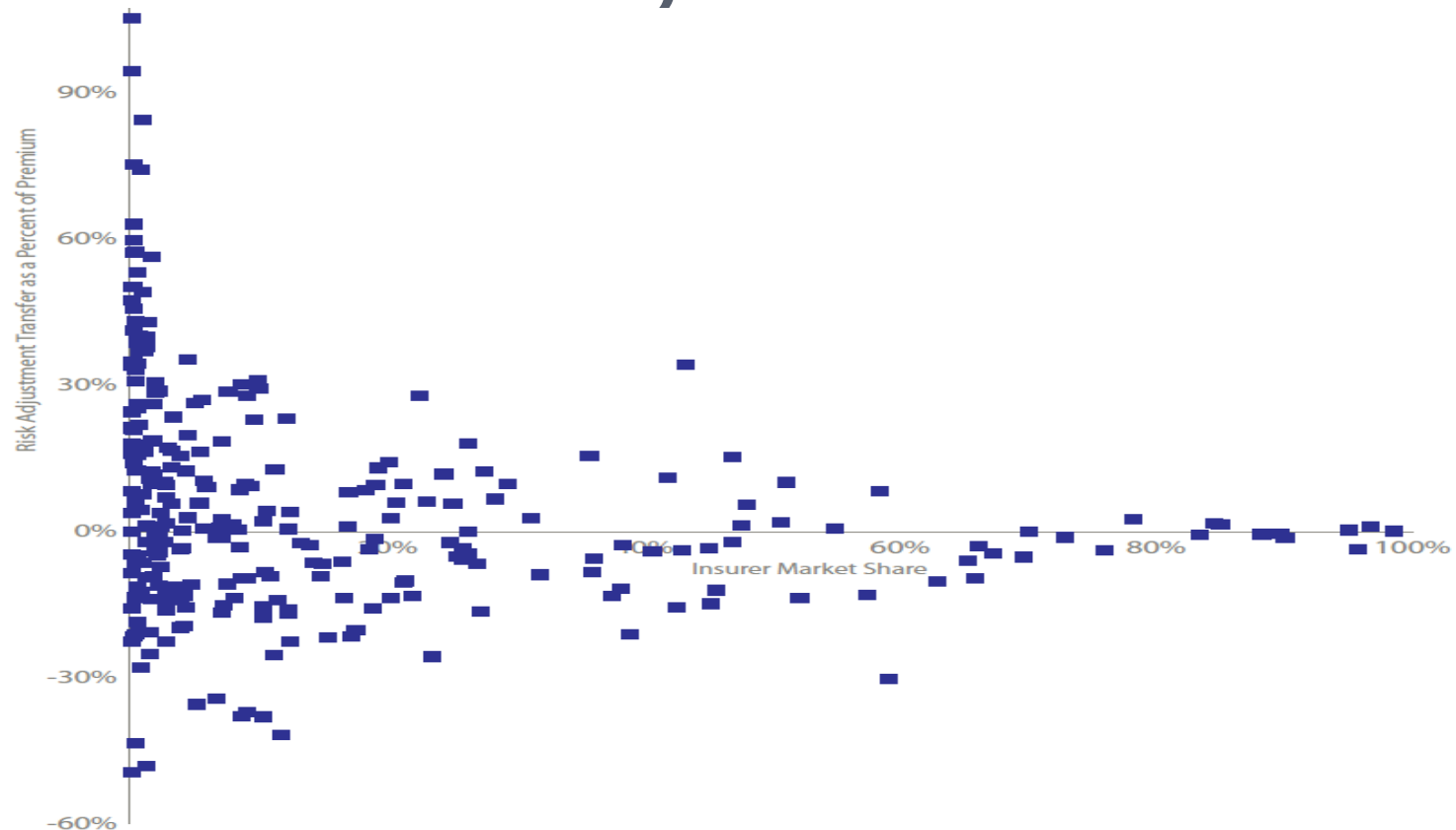
- **Connecticut**
- **Illinois**
- **Maine/NH – enrollment frozen Dec 2015**
- **Maryland**
- **Massachusetts**
- **Montana & Utah**
- **New Mexico**
- **New Jersey**
- **Oregon**
- **Wisconsin**



# Risk Adjustment Challenges

- Anticipate wide range of risk adjustment payments with 2015 report due June 30<sup>th</sup>
- CO-OP's and other smaller or rapidly growing new carriers –
  - No historical data that can be used for targeting
  - Established technology and data, coding processes
- CMS updates with some fixes in process
  - 2017 - Partial year enrollment
  - 2018 - some pharmacy data
- Detailed Analysis, Risk Score Optimization (targeted) and Edge Server data management

# Risk Adjustment Transfer as % of Premium by Market Share



Source: American Academy of Actuaries calculations

Notes: A positive risk adjustment transfer indicates the insurer was a receiver of risk adjustment payments; a negative risk adjustment transfer indicates the insurer made a risk adjustment payment. See the appendix "Data and Methods" for details regarding the data source and analysis methods.

# One CO-OP's Experience - Maryland

- 37,500 members as of March 1 2016, up from 11,700 at the close of 2014
- Focused on small group when Individual exchange had issues in 2014

## Evergreen Health's CEO 3 strategies:

- Diversification –
  - individual(30%), small group(55%), Large group 15%
- Priced “Appropriately” not aggressively
- Focus on Wellness, Value Based Benefit Design

# One CO-OP's Experience - Maryland

## Next Step.... Risk Adjustment?

- Anticipate 2015 payment of 26% of Premium
- Lawsuit filed last week
  - Maryland DOI support
  - Referencing 2017/2018 CMS changes as acknowledgement of issues
- 2017 rate filing assumes 3% of premium maximum risk adjustment transfer payment

## Upcoming Items to Watch

- **June 30<sup>th</sup> Risk Adjustment Report**
- **2017 Rate Review**
- **Continued release of 2016 financials**
- **CO-OP recent flexibility for private capital and board of directors**
- **Law Suits**
- **And of course.....**

