

Finance Subcommittee

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February 7, 2011

Charge of the Subcommittee

- Identify and provide guidance on key issues raised to date: needed capital formation; forms of capital; solvency requirements and measurement; feasibility and business plan

Provide Applicant Approval Guidance

- Necessary financial and related elements of the application(s)
- Benchmarks to use in approving applications for loans and grants; and
- Structuring loans and grants

Recommendation

- Loan application process should be done in stages
- Stage 1 would provide funds for the development of a full-blown business plan
- Stage 2 would be the loan for start-up funds that would be phased-in based on the benchmarks in the approved business plan

Requirements for Stage 1 Loan

1 of 2

- Plan for determining feasibility and preparing business plan
- Identification of staff or consulting support for feasibility determination and business plan development
- Describe development team

Requirements for Stage 1 Loan

2 of 2

- High-Level Plan, including
 - o Target market
 - o Planned provider relationships
 - o Intended products
 - o Anticipated funding sources
 - o Activities to be outsourced
 - o Budget for development of business plan

Requirements for Stage 2 Loan

1 of 2

- Evidence of consultation with State insurance regulator
- Plan to develop compliance capability to meet federal and state requirements
- Description of proposed governance and structure
- Description of Initial Board of Directors

Requirements for Stage 2 Loan

2 of 2

Business Plan to include:

- Target market and enrollment projections
- Proposed marketing plan
- Proposed product designs
- Proposed source of administrative services
- Proposed provider network
- Proposed risk management arrangements
- Competitive analysis
- Provider commitment
- Financial projections for 5 years
- Funding plan

Charge: Defining factors to consider in approving applications for loans and grants (Under Discussion)

Factors to consider in approving applications for loans and grants (under discussion)

- Business plan demonstrates ability to re-pay loan
- Competitive analysis shows that membership projections are feasible based on projected premiums and benefits
- Signed letters of intent from provider groups

Additional Issues Under Discussion

1 of 2

- Recommending timing for loans and grants
- Financial reserves
- Identifying appropriate methods for reducing risk
- External certification of business plan feasibility

Additional Issues Under Discussion

2 of 2

- Capitalizing not-for-profit CO-OPs
- Recommending how the Secretary can structure federal loans and grants to be most beneficial to CO-OPs consistent with the goals of repayment
- Guidance on “activities which must consist of the issuance”

Issues for Consideration by Advisory Board

- “Substantially all of the activities of which must consist of the issuance of qualified health plans in the individual and small group markets”
 - Latitude of CO-OP plans to participate in large group market and public programs
 - Ability to rely on enrollment from large employers in early stages and meet requirement over time