Feds to Fund Nonprofit CO-OP Insurance Plans

BY FRANCES CORREA

FROM A PRESS BRIEFING BY THE CENTERS FOR MEDICARE AND MEDICAID SERVICES

Consumer Operated and Oriented Plans insurers will provide more health plan options for individuals and small businesses, officials from the Centers for Medicare and Medicaid Services said.

The new insurers "will provide consumers more choices [and] greater plan accountability, and help ensure a more competitive insurance market," Steve Larsen, director of the Center for Consumer Information and Insurance Oversight at the CMS, said during a press briefing to announce the proposed rule on CO-OPs. He added that he hopes CO-OPs will provide affordable options for small businesses that often pay up to 18% more in health care costs than do large businesses.

Although plans created under the CO-OP program will have requirements similar to those of plans offered through state exchanges, CO-OP plans will be required to use any profits they make to lower premiums, improve the quality of care, or improve benefits available to consumers.

In addition, CO-OP plans will be governed by a board composed chiefly of plan members elected by their peers, and enrollees will have the opportunity to help decide the direction of health plans. CO-OPs will also be required to tailor two-thirds of their plans to serve either individuals or small businesses.

The CMS will issue $3.8 billion in start-up and capital loans for CO-OP insurers, and will evaluate potential insurers for their financial viability to ensure that they will be able to turn a profit.

Despite opportunity for consumer benefits, the CMS is also bracing for potential costs, including default on the loans. According to the proposed rule, the CMS estimates that 35% of solvency loans and 40% of start-up loans may not be repaid. The rule also states that the CMS estimates spending $600 million for start-up loans and $3.2 million for solvency loans. Start-up loans must be repaid in 5 years, and capital, or solvency, loans must be paid in 15 years. However, Mr. Larsen said those estimates are "conservative," and the actual expectation is a much lower rate of default.

The agency will be pushing to have a CO-OP available in every state; so far, it estimates that 57 entities will participate in the program.

Rhode Island and Texas have announced that they plan to have a CO-OP available. Existing health CO-OPs include Puget Sound Health CO-OP in Washington and the Health Partners CO-OP that operates in Wisconsin and Minnesota. ■

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hospitals said they rarely or never received advance notice of the shortages.

In a separate study, researchers from the University of Michigan and the ASHP reported that the number of shortages in 2010 (211) was the highest ever recorded in a single year . The researchers surveyed ASHP members about the impact of 30 recent shortages; 353 pharmacists responded.

Pharmacists spent about 9 hrs/wk managing shortages, with an estimated annual labor cost of $216 million. Shortages seemed to hit bigger hospitals harder. When asked if drug shortages created an increased burden, 97% of respondents agreed or strongly agreed; 93% said shortages increased costs, and 55% said shortages compromised care (Am. J. Health-Syst. Pharm. 2011;68:e13-21 [doi:10.2146/ajhp110210]).

The shortage problem is attracting more attention in Congress. In February, Sen. Amy Klobuchar (D-Minn.) introduced the Preserving Access to Life-Saving Medications Act (S. 296), which would give the Food and Drug Administration the authority to require early notification from pharmaceutical companies when a shortage appears to be imminent. At press time, the bill had 11 cosponsors.

Rep. Diana DeGette (D-Col.) and Rep. Tom Rooney (R-Fla.) introduced the bill in the House in mid-July. ■

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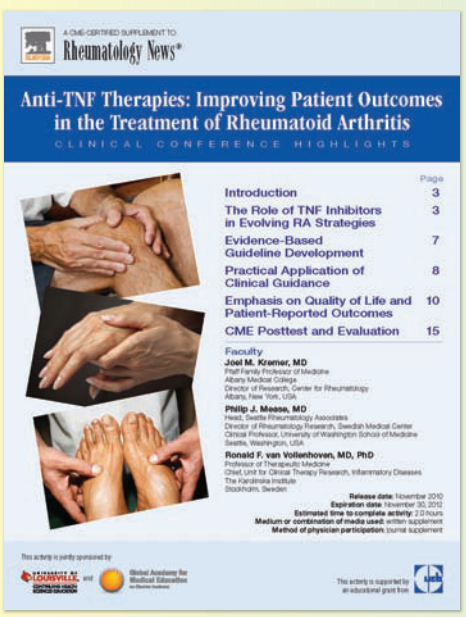

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