WHITE PAPER

Financially Solid, Secure and Protected

Who is CoOportunity Health? Why haven't we heard about you before? How do we know that you are financially secure? Will you be here for the long term? What are the risks that you won't be able to pay my claims?

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CoOportunity HEALTH sm

These … and more … are questions we have heard from individuals, employers, agents/brokers, providers, policymakers, and the media in Iowa and Nebraska since we were founded in 2012.

With the positive media coverage that CoOportunity Health has received in recent months, we appreciate the fact that people want to know more about us and to be assured that choosing CoOportunity Health is a safe, smart, and rational choice.

So let's address these questions:

Who are you?

CoOportunity Health is one of 23 Consumer-Operated and Oriented Plans (CO-OPs) approved by the federal government and licensed in 23 states around the country. We were approved in February 2012 by the federal Centers for Medicare and Medicaid Services, a part of the U.S. Department of Health and Human Services.

Subsequently, we were licensed as a private insurance company in both Iowa and Nebraska after careful regulatory scrutiny and review of our financial solvency and claims paying ability.

We are a private, non-profit, consumer-run insurance company. Federal law insists that we be a 501(c)29 not-for-profit and only operate for the good of our members — the people or companies who buy our health insurance coverage. Every dollar we make in surplus must be used to lower rates, increase benefits, or to pay back the federal loans we received.

How are you funded and who backs you?

The federal government has provided CoOportunity Health with $112.6 million in very low-interest loans to provide a solid financial footing for the company. The first loan provided $14.7 million in start-up dollars to fund the initial work of the company between the time we were approved in 2012 until we start serving customers and paying claims in January 2014.

A total of $98 million is available to ensure customers of the solvency of the company. Those funds serve as the financial backing of the company to assure customers that CoOportunity Health can pay any claims liability if costs exceed the premiums we receive. Think of these funds as available reserves for the organization.

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In short, this means that we have the backing of the federal government. There are no private investors or shareholders.

Sure, that's a lot of money but is it enough if you attract a lot of sick people to your plan?

The short answer is yes, but there is more you need to know in order to understand why. First, it is possible that some sick people will sign up for our coverage. Whether they have been insured previously or not, anyone or any company can enroll in CoOportunity Health. Some of these people will have claims that could exceed the premiums they pay. After all, that is the nature of insurance: people who don't use a lot of health care services in a given year help pay for those who do.

But we had to make sure that our company and our members were protected in case we incurred really high-cost claims.

"The 3 Rs." The Affordable Care Act (ACA) represents a massive change in the health insurance system. The ACA included three programs to protect insurers that agreed to participate in the new Health Insurance Marketplaces (often called

Exchange) from the possibility of attracting poor health risks and incurring large claims. Known as the "the 3 Rs," these protections limit the financial exposure of CoOportunity Health. Without getting into too much detail, "the 3 Rs" stand for **R**einsurance, **R**isk Adjustment and **R**isk Corridors.

The **Reinsurance** program applies only to the individual market and only protects those companies that participate in the Individual Marketplace/Exchange. It pays for **80 percent** of all claims the insurer incurs between **$60,000** and **$250,000**.

The **Reinsurance** program applies only to the individual market and only protects those companies that participate in the Individual Health Insurance Marketplace/Exchange. It pays for 80 percent of all claims the insurer incurs between $60,000 and $250,000. That covers an extremely high percentage of major surgeries and significant illnesses. This alone provides CoOportunity Health with limited exposure to high-dollar claims from 2014 through 2016.

Even more, the **Risk Adjustment and Risk Corridor** programs mentioned above potentially give us additional reimbursement in case we have attracted a disproportionately unhealthy population in total. The program works by including all insurers so that those who get the best risks compensate those companies that attract the worst risks. This Risk Adjustment program never goes away for the CO-OPs because we are required to offer our products on the Health Insurance Marketplace/Exchange.

But what happens if we get really bad cases over $250,000, like transplants, premature infants, and cancer cases? To protect ourselves from these potentially catastrophic claims, we have purchased **additional reinsurance** on the private market. We pay premiums to a highly-rated global insurance company, Partner Re, to pay for 90 percent of claims over $400,000 (for group business) and $500,000 (for individual business). By doing this, we protect ourselves from really, really big claims.

We also have all of the same protections and requirements as every other licensed health insurer in Iowa and Nebraska in the case of insolvency, not that we will ever become insolvent, of course.

Why?

The federal government has required and the states of Iowa and Nebraska have agreed that CoOportunity Health must maintain adequate reserves to fund our claims based on a measure called Risk-Based Capital (RBC) developed by the National Association of Insurance Commissioners (NAIC). Our target level, as agreed upon with the government, is 500 percent, which will provide an appropriate (but not excessive) "cushion" above the point at which regulators become concerned about solvency (200 percent). If we ever need to access any of the $98 million to make sure that we maintain an adequate amount of capital, we draw it down with oversight by the applicable state insurance regulator and the agreement of the federal government.

But if you have to draw that money down, don't you have to pay it right back?

To ensure that the CO-OPs last for a long time and don't just fizzle out, the federal government has given us 15 years to pay back the funds we draw down from the $98 million loan (with interest, of course). The interest rate is currently under 0.4 percent on that solvency loan so we have a very low "cost of capital." We have to pay it back, of course, starting only with interest payments in 2019 with amortization (premium + interest) starting in 2021. While we have drawn down only about one-fourth of it in 2013 to ready us for 2014, the clock doesn't start ticking on the rest of the loan unless we actually draw it down.

Incidentally, the start-up loan of about $14 million has to be paid back in five years so those payments will begin earlier. But that gives us five years to achieve some level of profitability.

Sounds good, but if I get worried about your financial condition, what recourse do I have?

In the new health insurance world, as defined by the Affordable Care Act, a member or an employer has the ability to change companies every year so you are never stuck with your decision for more than 12 months. With no medical underwriting and the total assurance that your claims will be paid, you don't have to be worried about "getting stuck" with your current insurer.

There is an open enrollment period for individual market purchasers every single year, and members can choose another insurer with no strings attached should there be concern about our financial condition or anyone else's.

It sounds like you have more oversight than other companies. Is that right?

It may be true that CoOportunity Health has the most regulatory oversight of any health insurer in Iowa or Nebraska. Not only are we regulated just like all other insurers in our licensed states, we are also regulated by the federal government. Our loan agreement with the federal government gives it broad authority to oversee us as well. From that point of view, our customers can be assured that their premiums are safe with us and we will meet our financial obligations.

The fact that we are a nonprofit company also guarantees our members that their money will not be spent on lavish items or only to benefit shareholders because our members are our owners. They elect our Board of Directors and they are our only stakeholders.

Who has reviewed your rates, financial plan and condition?

Our rates have been calculated, reviewed and certified by one of the nation's largest actuarial firms. They have been approved by both the Iowa Insurance Division and Nebraska Department of Insurance after actuarial review. Plus, the federal government has approved our plans as Qualified Health Plans, a requirement of the ACA for plans offered on the Marketplace (Exchange).

We have been audited by PriceWaterhouseCoopers on behalf of the federal government and through McGladrey, our outside auditors. Our business plan, financial arrangements, and loan agreement have been reviewed by both the Iowa Insurance Division and Nebraska Department of Insurance as well as the federal Department of Health and Human Services and the Internal Revenue Service.

How can I get more information if I need it?

The Iowa Insurance Division or the Nebraska Department of Insurance websites can provide you with information about CoOportunity Health and our licensure status. You can also visit our website at **cooportunityhealth.com** for more information.

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For more information: coOportunityhealth.com
Toll-free Hotline: 1.866.217.6111

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