

Supporting Statement for Paperwork Reduction Act Submission:

Consumer Operated and Oriented [CO-OP] Program Loans

A. Justification

1. Circumstances Making the Collection of Information Necessary

On March 23, 2010, the President signed into law the Patient Protection and Affordable Care Act (P.L. 111-148). On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed into law. The two laws are collectively referred to as the Affordable Care Act. The Affordable Care Act includes a wide variety of provisions designed to expand coverage, provide more health care choices, enhance the quality of health care for all Americans, hold insurance companies more accountable, and lower health care costs.

The Consumer Operated and Oriented Plan (CO-OP) program was established by Section 1322 of the Affordable Care Act. This program provides for loans to establish at least one consumer-operated qualified nonprofit health insurance issuer in each State. Issuers supported by the CO-OP program will offer at least one qualified health plan at the silver level of benefits and one at the gold level of benefits in the individual market State Health Benefit Exchanges (Exchanges). At least two-thirds of policies or contracts offered by a CO-OP will be open to individuals and small employers. Profits generated by the nonprofit CO-OPs will be used to lower premiums, improve benefits, improve the quality of health care delivered to their members, expand enrollment, or otherwise contribute to the stability of coverage offered by the CO-OP. By increasing competition in the health insurance market and operating with a strong consumer focus, the CO-OP program will provide consumers more choices, greater plan accountability, increased competition to lower prices, and better models of care, benefiting all consumers, not just CO-OP members.

The CO-OP program provides nonprofits with loans to fund start-up costs and State reserve requirements, in the form of Start-up Loans and Solvency Loans.¹

An applicant may apply for (1) joint Start-up and Solvency Loans;² or (2) only a Solvency Loan. Start-up Loans are intended to assist loan recipients with the many start-up costs associated with establishing a new health insurance issuer. Solvency Loans are intended to assist loan recipients with meeting the solvency requirements of States in which the applicant seeks to be licensed to issue qualified health plans.

The Funding Opportunity Announcement (FOA) was released on July 28, 2011. It was amended on December 9, 2011 to conform to the changes in the Final Rule for the CO-OP Program released on December 8, 2011 (76 FR 77392). The first round of applications were due on October 17, 2011. CMS is continuing to collect applications on a quarterly basis. Applications will be accepted for as long as funding is available. Loan awards are announced within approximately 75 days after each applicant receives notice that its application is complete.

2. Purpose and Use of Information Collection

The data collection in this package includes requirements outlined in 45 C.F.R. Part 156 Subpart F, the

¹ Although Section 1322 of the Affordable Care Act refers to Solvency Loans as “grants” to assist with meeting State solvency requirements, they are loans because they must be repaid. Therefore, Solvency Loans are referred to as “loans” throughout this document.

² Hereafter this option will be referenced as “joint Start-up and Solvency Loans.” Although an applicant need submit only one application in order to apply for a Start-up Loan and a Solvency Loan, and the loans will be awarded at the same time, please note that they are two separate loans with different terms and conditions.

FOA, and the Loan Agreement for:

- Loan applications;
- Reconsideration requests and appeals;
- Loan Agreement acceptance and execution;
- Milestone updates;
- Financial reports;
- Progress reports;
- Enhanced financial and progress reports;
- Audits; and
- Recordkeeping.

The above information assists CMS in administering the program, tracking the progress of loan recipients, ensuring that loans are being appropriately spent and that instances of fraud, waste and abuse are avoided, and ensuring that each loan recipient is on track to repay loans within the timeframes specified in 45 C.F.R. Subpart F and in its Loan Agreement.

This funding opportunity requires that loan recipients meet certain periodic reporting requirements to ensure that recipients are making appropriate progress towards achieving the goals specified in their Loan Agreements. Start-up Loans and Solvency Loans are made available for drawdown incrementally according to recipient progress; thus, recipients must report on their progress and funding needs in order to be allowed to drawdown their loan funds.

3. Use of Improved Information Technology and Burden Reduction

Information collected in the package is submitted electronically with the exception of the Loan Agreement, which must be signed by an officer of the applicant who has the ability to legally bind the applicant and must be returned to CMS in hard copy. CMS staff analyzes the data in the same manner by which it was submitted and communicates with applicants using e-mail or telephone.

4. Efforts to Identify Duplication and Use of Similar Information

Not applicable.

5. Impact on Small Businesses or Other Small Entities

No impact on small business.

6. Consequences of Collecting the Information Less Frequent Collection

Information collected in the package consists of both one-time data collection and regular programmatic reporting to CMS. In order to ensure federal funds are being used correctly and efficiently, CMS must receive regular program information to monitor the spending of federal dollars and be best positioned to promptly address programmatic issues such as instances of fraud, waste and abuse. In addition, loan recipients must report to CMS regularly in order to continue to be able to draw down their loan funding. Other items addressed in this package, such as record retention requirements, are a one-time data collection.

7. Special Circumstances Relating to the Guidelines of 5 C.F.R. 1320.5

No special circumstances.

8. Comments in Response to the Federal Register Notice/Outside Consultation

Not applicable.

9. Explanation of any Payment/Gift to Respondents

Not applicable.

10. Assurance of Confidentiality Provided to Respondents

All information will be kept private to the extent allowed by application laws/regulations.

11. Justification for Sensitive Questions

HHS anticipates performing criminal background checks and credit checks on key personnel listed in applications in order to ensure that key personnel have not been involved in any criminal proceedings, especially those related to fraud or misuse of funds. If we choose to perform such checks, we will contact the applicant via email to request the Social Security numbers of key personnel. We will explain in the email that the Social Security numbers will be used to perform background and/or credit checks and require that the applicant obtain the personnel's consent before sending us their Social Security numbers. All HIPAA privacy rules will be followed in obtaining such information such as requesting sensitive information be shared via encrypted email or by phone.

12. Estimates of Annualized Burden Hours (Total Hours & Wages)

1. Application – Start-up/Solvency Loans

Applicants are required to submit a complete loan application to CMS. The application is the same regardless of whether the applicant is applying for joint Start-up and Solvency Loans or only a Solvency Loan. This burden estimate includes the total estimated burden to complete and submit an application for joint Start-up and Solvency Loans or only a Solvency Loan in connection with the FOA and 45 C.F.R. Part 156 Subpart F.

We estimate that it takes each applicant nonprofit approximately 516 hours to read, complete, and submit an application to CMS. In accordance with the FOA and 45 C.F.R. Part 156 Subpart F, a complete application for Start-up/Solvency Loans will include: standard forms; a cover letter; an abstract; a project narrative; an organizational chart, position descriptions, & resumes of key personnel; a description of the target market & proposed products; a budget & budget narrative; a description of the proposed enrollment strategy & financial projections; an operations plan; a governance & licensure plan; a feasibility study; proof of nonprofit status; an eligibility affidavit & application certification; affidavit(s) of criminal &/or civil proceedings; and evidence of support. We believe 9 people per nonprofit will be involved in completing the application: a senior-level manager to oversee the application, two policy analysts, a lawyer, a budget analyst, an actuary, and three senior-level managers of supporting organizations, who will write letters of support for the applicant organization.

We estimate an average of approximately 27 respondents annually between 2011 and 2014. Total average annual burden is estimated at 13,932 hours.

Broken down per year, 24 nonprofits applied in 2011 and we estimate that up to 70 will apply in 2012, 10 will apply in 2013, and 5 will apply in 2014. Total burden is estimated at 12,384 hours in 2011, 36,120 hours in 2012, 5,160 hours in 2013, and 2,580 hours in 2014.

2. Application Reconsideration Requests and Termination Appeals

Pursuant to the FOA, an applicant may request reconsideration of a loan application determination. To request reconsideration of its application, the applicant must submit its request in writing to CMS within 30 days of receipt of the determination. An applicant may only request reconsideration of a specific application once; any determination made by CMS as result of reconsideration is final and will not be subject to review or appeal. Additionally, as outlined in the FOA, a loan recipient may appeal a decision by CMS to terminate its loan agreement by submitting a written request for appeal with appropriate supporting documents within 30 days, consistent with the terms of its loan agreement.

We estimate that it will take each applicant/loan recipient approximately 15 hours to write and submit a reconsideration request/appeal request. We believe 3 people per applicant will be involved in requesting reconsideration/appeal: a senior-level manager and two policy analysts.

We estimate that up to 10% of applicants and 1% of recipients will request reconsiderations/appeals, for an average of approximately 3 respondents annually between 2011 and 2014. Total average annual burden is estimated at 45 hours.

Broken down per year, 2 nonprofits in 2011 requested reconsiderations and we estimate that 7 nonprofits in 2012, 2 nonprofit in 2013, and 2 nonprofits in 2014 will request reconsiderations/appeals. Total burden is estimated at 30 hours in 2011, 105 hours in 2012, 30 hours in 2013, and 30 hours in 2014.

3. Loan Agreement Acceptance

Pursuant to the FOA, once a loan application is approved, the applicant must agree to the terms stated in the loan agreement in order to receive the loan. The loan agreement states the requirements that the applicant must meet in order to participate in the CO-OP program, continue to receive funding, and be determined to be in compliance with the CO-OP program. In order to indicate its acceptance, the applicant must sign and submit the loan agreement to CMS. This is a one-time requirement.

Prior to accepting the loan agreement, the loan recipient may have the opportunity to negotiate the terms and conditions with CMS.

We estimate that it will take each recipient approximately 16 hours to read, negotiate, sign, and submit the loan agreement to CMS. We believe 4 people per recipient will be involved in this task: a senior-level manager, two policy analysts, and a budget analyst.

We estimate that 51 nonprofits will accept Loan Agreements. We estimate a one-time total burden of 816 hours for all recipients.

4. Standard Reporting Before Loan Repayment – Start-up/Solvency Loan(s) Recipients

Pursuant to the FOA, prior to full loan repayment a recipient of joint Start-up and Solvency Loans or only a Solvency Loan will be required to submit to CMS: monthly milestone updates, quarterly financial reports, semi-annual progress reports, and ad-hoc reports as deemed necessary by CMS. In addition, loan recipients will have the option of submitting a bi-annual application to be deemed in compliance with standards for participation in the Affordable Insurance Exchanges. We estimate that all recipients will choose to submit such applications.

With all reporting requirements averaged out on a monthly basis, we estimate that it will take each recipient an average of approximately 19 hours per month to assemble and submit all required and optional reports. We believe 5 people per recipient will be involved in completing each item: a senior-level manager, two policy analysts, a budget analyst, and an actuary.

We estimate that 50 nonprofits will be awarded joint Start-up and Solvency Loans and 1 nonprofit will be awarded only Solvency Loans between 2011 and 2014. We estimate an average annual total reporting burden of 11,628 hours for all recipients.

5. Standard Reporting After Loan Repayment – Start-up/Solvency Loan Recipients

Pursuant to the FOA, during a 10-year period after full loan repayment, a recipient of joint Start-up and Solvency Loans or only a Solvency Loan will be required to submit to CMS annual progress reports and ad-hoc reports as deemed necessary by CMS. In addition, loan recipients will have the option of submitting a bi-annual application to be deemed in compliance with federal standards for participation in the Affordable Insurance Exchanges. We estimate that all recipients will choose to submit such applications.

We estimate that it will take each recipient an annual total of approximately 20 hours to assemble and submit all required and optional reports. We believe 5 people per recipient will be involved in completing each item: a senior-level manager, two policy analysts, a budget analyst, and an actuary.

We estimate that up to 51 nonprofits will submit standard reports. We estimate an average annual total reporting burden of 1,530 hours for all recipients.

6. Enhanced Reporting – Start-up/Solvency Loan Recipients

Pursuant to the FOA, CMS may place a loan recipient in an enhanced oversight plan if the loan recipient underperforms or has difficulty in meeting program milestones and benchmarks, as identified in its Loan Agreement. Under an enhanced oversight plan, CMS will conduct thorough and more frequent review of the

loan recipient's operations and financial status. CMS may require the loan recipient to develop and implement a corrective action plan and submit monthly updates.

We estimate that it will take each affected applicant approximately 3 hours per monthly response to comply with required enhanced reporting. We believe 4 people per applicant will be involved in the task: a senior-level manager, a policy analyst, a budget analyst, and an actuary.

We estimate that up to 10 loan recipients will be required to submit enhanced reporting each year, and that each case of enhanced reporting will last 2 months. We estimate an average annual total reporting burden of 60 hours for all recipients estimated to be required to submit enhanced reporting.

7. Audits

Pursuant to the FOA, the loan recipient must agree that HHS or its designees have the right to audit, inspect, and evaluate any books, contractors, records, documents, and other evidence of the loan recipient, and its members, providers and suppliers, and contracted entities that pertain to the loan recipient's compliance with program requirements and the ability of the loan recipient to repay loan funds to CMS.

CMS audits may consist of comprehensive onsite performance reviews, less-intensive site visits, and desk reviews. The timing of any audit is at the discretion of CMS.

We estimate that it will take each applicant approximately 120 hours to comply with an audit. We believe 5 people per applicant will be involved in the task: a senior-level manager, a policy analyst, a budget analyst, an actuary, and an office manager.

We estimate that up to 42 loan recipients will be audited each year. We estimate an average annual total reporting burden of 5,040 hours for all audited recipients.

8. Recordkeeping

A loan recipient is required to meet the requirements for recordkeeping contained in the FOA. A loan recipient is required to retain all records that they or their subcontractors create, collect or maintain while participating in the program for at least ten years following termination.

We estimate that it will take each loan recipient an average of approximately 60 hours annually to appropriately maintain their records. We believe that 2 people per applicant will be involved in the task: an office manager and a laborer/mover.

We estimate that 51 loan recipients will be required to comply with recordkeeping requirements. We estimate an average annual total burden of 3,060 hours.

12A. Estimated Annualized Burden Hours

1. Application - Start-up/Solvency Loans

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Complete and submit loan application	Non-profit	27	1	516	13,932
Total	-	-	-	516	13,932

2. Application Reconsideration Requests

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden hours per Response	Total Burden Hours
Application Reconsideration Request	Non-profit	3	1	15	45
Total	-	-	-	15	45

3. Loan Agreement Acceptance

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Read, negotiate, and accept loan agreement	Non-profit	51	1	16	816
Total	-	-	-	16	816

4. Standard Reporting Before Loan Repayment – Start-up/Solvency Loan(s) Recipients

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Reporting Requirements	Non-profit	51	12	19	11,628
Total	-	-	-	19	11,628

5. Standard Reporting After Loan Repayment – Start-up/Solvency Loan Recipients

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Annual Reporting Requirements	nonprofit	51	1.5	20	1,530
Total	-	-	-	20	1,530

6. Enhanced Reporting (Before Loan Repayment) – Start-up/Solvency Loan Recipients

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Enhanced Reporting Requirements	nonprofit	10	2	3	60

Total	-	-	-	3	60
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7. Audits

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Audit Requirements	nonprofit	42	1	120	5,040
Total	-	-	-	120	5,040

8. Recordkeeping

Form	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Annual Recordkeeping	nonprofit (loan recipient)	51	1	60	3,060
Total	-	-	-	60	3,060

12B. Cost Estimate for All Respondents

1. Application – Start-up/Solvency Loans

2011: Complete and submit loan application

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Wage per Hour	Burden Costs All Respondents
Senior-level manager (19 Respondents * 4 managers per respondent)	24	1	89.50	\$53	\$ 113,844
Policy analyst with insurance expertise	24	1	85	\$41	\$83,640
Policy analyst with health policy expertise	24	1	86.5	\$41	\$85,116
Lawyer	24	1	27.5	\$60	\$39,600
Budget analyst	24	1	115.5	\$29	\$80,388
Actuary	249	1	113.5	\$46	\$125,304
Total	-	-	516	-	\$527,892

2. Application Reconsideration Requests

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Wage per Hour	Burden Costs All Respondents
Senior-level manager	4	1	4	\$53	\$848
Policy analyst with insurance expertise	4	1	5	\$41	\$820
Policy analyst with health policy expertise	4	1	6	\$41	\$984
Total	-	-	15	-	\$2,652

3. Loan Agreement Acceptance

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Wage per Hour	Burden Costs All Respondents
Senior-level manager	51	1	4	\$53	\$10,812
Policy analyst with insurance expertise	51	1	4	\$41	\$8,364
Policy analyst with health policy expertise	51	1	4	\$41	\$8,364
Budget analyst	51	1	4	\$29	\$5,916
Total	-	-	16	-	\$33,456

4. Standard Reporting Before Loan Repayment – Start-up/Solvency Loan(s) Recipients

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours	Wage per Hour	Burden Costs All Respondents
Senior-level manager	51	12	4	\$53	\$129,744
Policy analyst with insurance expertise	51	12	4	\$41	\$100,368
Policy analyst with health policy expertise	51	12	4	\$41	\$100,368
Budget analyst	51	12	5.5	\$29	\$97,614
Actuary	51	12	1.5	\$46	\$42,228
Total	-	-	19	-	\$470,322

5. Standard Reporting After Loan Repayment – Start-up/Solvency Loan Recipient

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours	Wage per Hour	Burden Costs All Respondents
Senior-level manager	51	1.5	3	\$53	\$12,164
Policy analyst with insurance expertise	51	1.5	6	\$41	\$18,819
Policy analyst with health policy expertise	51	1.5	4	\$41	\$12,546
Budget analyst	51	1.5	6	\$29	\$13,311
Actuary	51	1.5	1	\$46	\$3,519
Total	-	-	20	-	\$60,359

6. Enhanced Reporting (Before Loan Repayment) – Start-up/Solvency Loan Recipients

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours	Wage per Hour	Burden Costs All Respondents
Senior-level manager	10	2	0.5	\$53	\$530
Policy analyst with insurance expertise	10	2	1	\$41	\$820

Budget analyst	10	2	1	\$29	\$580
Actuary	10	2	0.5	\$46	\$460
Total	-	-	3	-	\$2,390

7. Audits

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours	Wage per Hour	Burden Costs All Respondents
Senior-level manager	42	1	16	\$53	\$35,616
Policy analyst with insurance expertise	42	1	32	\$41	\$55,104
Budget analyst	42	1	32	\$29	\$38,976
Actuary	42	1	16	\$46	\$30,912
Office Manager	42	1	24	\$23	\$23,184
Total	-	-	120	-	\$183,792

8. Recordkeeping

Type of Respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours	Wage per Hour	Burden Costs All Respondents
Office Manager	51	1	50	\$23	\$58,650
Laborers and Freight, Stock & Material Movers	51	1	10	\$12	\$6,120
Total	-	-	60	-	\$64,770

Salaries were taken from the Bureau of Labor Statistics website.
(<http://www.bls.gov/oco/ocos007.htm>)

13. Estimates of other Total Annual Cost Burden to Respondents or Record Keepers/Capital Costs

There are no additional record keeping/capital costs.

14. Annualized Cost to Federal Government

The cost to the government based on the package is listed below.

Type Federal Employee Support	Total Burden Hours	Hourly Wage Rate*	Total Federal Government Costs
Senior Leadership reviewers; annual	160	SES equivalent \$75	\$12,000
First level reviewers; annual	480	GS13 equivalent \$50	\$24,000
Contract	-	-	\$325,706
Total	-	-	\$361,706

*Salaries based on Senior Executive Service and GS wage rate for Washington, D.C. area.

15. Explanation for Program Changes or Adjustments

There are no changes.

16. Plans for Tabulation and Publication and Project Time Schedule

Start-up/Solvency Loans, Standard Reporting: Information in this package prior to loan repayment will be primarily collected quarterly and semi-annually, with brief monthly updates and optional bi-annual updates. Information in this package for the ten years following loan repayment will be primarily collected annually, with optional bi-annual updates.

Start-up/Solvency Loans, Enhanced Reporting: Information in this package will be primarily collected semi-weekly and weekly, for an estimated average of three weeks per year, for an estimated average of 5% of loan recipients annually.

Start-up/Solvency Loans, Audits: Audits will be primarily performed annually and may include a site visit. Loan recipients may also receive a second site visit annually. Record retention requirements will be a one-time data collection.

17. Reason(s) Display of OMB Expiration Date is Inappropriate

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions to the certification.

B. Collection of Information Employing Statistical Methods

Not applicable. The information collection does not employ statistical methods.