U.S. Department of Health and Human Services
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight

Consumer Operated and Oriented Plan [CO-OP] Program
Amended Announcement
Invitation to Apply

Loan Funding Opportunity Number: OO-COO-11-001
CFDA: 93.545

Date: December 9, 2011

Applicable Dates:

Voluntary Letter of Intent to Apply: As soon as possible

First Round Application Due Date: October 17, 2011

Subsequent Quarterly Application Due Dates (up to and including December 31, 2012):
January 3, 2012
April 2, 2012
July 2, 2012
October 1, 2012
December 31, 2012

Please note: Applications must be submitted by 8:00 pm (Eastern Time) on the due date. Anticipated Notice of First Round Loan Awards: January 12, 2012

Anticipated Notice of Subsequent Loan Awards: approximately 75 days after each applicant receives notice that its application is complete

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0938-1139. The time required to complete a Start-up Loan application and a Solvency Loan application is estimated to average 516 hours per response. These estimates include the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.

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OVERVIEW INFORMATION

Agency Name: Department of Health and Human Services
Centers for Medicare and Medicaid Services
Center for Consumer Information and Insurance Oversight

Funding Opportunity Title: Consumer Operated and Oriented Plan [CO-OP] Program
Announcement Type: Initial

Catalog of Federal Domestic Assistance (CFDA) Number: 93.545

Note: This amended Funding Opportunity Announcement is being released to conform to the changes in the Final Rule for the CO-OP program released on December 8, 2011 (Official Publication Date: December 13, 2011). The Final Rule is available at: http://www.ofr.gov/OFRUpload/OFRData/2011-31864_PI.pdf. **The terms of the CO-OP Final Rule may differ from the proposed terms in the NPRM. To the extent that the application or other requirements for a loan change as a result of amendments that are reflected in the Final Rule, applicants that submit applications prior to the publication of the Final Rule will be given an opportunity to revise their application for a loan under this Funding Opportunity Announcement, if necessary.**

Key Dates:

Letter of Intent: It is requested, but not required, that an applicant submit a Letter of Intent at the earliest possible date indicating the date on which the applicant intends to apply for joint Start-up and Solvency Loans, or a Solvency Loan. The purpose of the Letter of Intent is to enable CMS to estimate the number of applications and adequately prepare for application review. The Letter of Intent must be signed by the Chief Executive Officer (CEO), Chief Financial Officer (CFO), or an officer of the applicant's Board of Directors. The signed Letter of Intent must be submitted electronically in PDF format to CO-OP Project Officers Ilana Cohen at ilana.cohen@cms.hhs.gov or Anne Bollinger at anne.bollinger@cms.hhs.gov.

First Round Loans

- Grants.gov application due date: October 17, 2011
- Anticipated loan award date: January 12, 2012

Subsequent Loans

- After the first round application due date (October 17, 2011) applications will be accepted quarterly up to and including December 31, 2012, according to the following due dates:
  - January 3, 2012;
  - April 2, 2012;
  - July 2, 2012;
  - October 1, 2012; and
  - December 31, 2012

**Please note: Applications may be submitted up until 8:00pm Eastern Time on the quarterly application due date.

Loan awards or a response to the application will be provided approximately 75 days after each applicant receives notice that its application is complete.

CMS will hold periodic open information teleconferences for prospective applicants of this funding opportunity announcement with dates to be determined. All information and detailed announcements for these calls will be posted on the CO-OP website at: http://cciio.cms.gov/resources/fundingopportunities/index.html#co-op.

Interested parties and applicants are encouraged to check the website frequently for announcements and updated information that may assist in application preparation.

Transcripts for the open information teleconferences held on August 10, 2011 and September 7, 2011 are available by viewing the links below.

- August 10, 2011: http://cciio.cms.gov/resources/files/august_10_foa_teleconference_transcript%200816_final.pdf
- September 7, 2011: http://cciio.cms.gov/resources/files/september_7_co_op_teleconference_transcript_final.pdf.pdf

Repayment Period

Loan repayment requirements will be specified in the Loan Agreement and shall be consistent with the terms of the Final Rule as well as with all relevant statutory, regulatory, and other requirements. Repayment requirements will be consistent with State solvency regulations and other similar State laws that may apply, as specified in section 1322(b)(3) of the Affordable Care Act. Repayment periods will be separately calculated for each partial draw of the total loan amount. Each draw against a Start-up Loan must be repaid within five years of the specific drawdown date, and draws against a Solvency Loan must be repaid within fifteen years of the specific drawdown date. See the Final Rule at 45 CFR §156.520(b)(1) and (2).

I. FUNDING OPPORTUNITY DESCRIPTION

A. Purpose and Background

The Patient Protection and Affordable Care Act, Pub. L. No. 111-148, enacted on March 23, 2010, and the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, enacted on March 30, 2010, are collectively referred to in this announcement as the "Affordable Care Act." The Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, which amended the Affordable Care Act, was enacted on April 15, 2011. Section 1322 of the Affordable Care Act created the Consumer Operated and Oriented Plan program (CO-OP program) to foster the creation of new consumer-governed, private, nonprofit health insurance issuers, known as "CO-OPs." In addition to improving consumer choice and plan accountability, the CO-OP program also seeks to promote integrated models of care and enhance competition in the Affordable Insurance Exchanges established under sections 1311 and 1321 of the Affordable Care Act.

The statute provides loans to capitalize eligible prospective CO-OPs with a goal of having at least one CO-OP in each State. The statute permits the funding of multiple CO-OPs in any State, provided that there is sufficient funding to capitalize at least one CO-OP in each State. Congress provided budget authority of $3.8 billion for the program. The statute directs the Secretary to give priority to applicants that will offer CO-OP qualified health plans on a Statewide basis, will use integrated care models, and have significant private support.

The statute also directs the Secretary to take into account the recommendations of the CO-OP Program Advisory Board established pursuant to section 1322(b)(4) of the Affordable Care Act when awarding loans under the CO-OP program. The Advisory Board issued its recommendations in the report released on April 15, 2010 that is found at: http://cciio.cms.gov/resources/files/coop_faca_finalreport_04152011.pdf. The Advisory Board developed four major principles for awarding loans:

(1) Consumer operation, control, and focus must be the salient features of the CO-OP and sustained over time;
(2) Solvency and the financial stability of coverage should be maintained and promoted;
(3) CO-OPs should encourage care coordination, quality and efficiency to the extent feasible in local provider and health plan markets; and
(4) Initial loans should be rolled out as expeditiously as possible so that CO-OPs can compete in the Exchanges in the critical first open enrollment period.

To be eligible for a loan, an applicant must be a private nonprofit member organization and must intend to become a CO-OP. Pursuant to section 1322(c)(2) of the Affordable Care Act, an organization is not eligible for a loan if it was licensed by a State as a health insurance issuer as of July 16, 2009 or it was a related entity or predecessor organization of such an issuer. An organization is also not eligible for a CO-

OP loan if the organization has as a sponsor a State or local government, or any political subdivision or instrumentality of a State or local government. See Section III of this Funding Opportunity Announcement for details about eligibility requirements.

As finalized in section 156.515(c) of the Final Rule[1], an issuer supported by the CO-OP program will offer at least one CO-OP qualified health plan at the silver level of benefits and one at the gold level of benefits in every individual Affordable Insurance Exchange (Exchange) that serves the geographic area in which it is licensed and intends to provide health care coverage. If an applicant chooses to offer at least one plan in the small group market outside the Exchange, it must commit to offering a CO-OP qualified health plan at both the silver and gold benefit levels in each Small Business Health Options Program (SHOP) that serves the geographic regions in which the organization offers coverage in the small group market. Additionally, section 1322(c)(1)(B) of the Affordable Care Act requires that "substantially all" of the issuer's activities consist of the issuance of qualified health benefit plans in the individual and small group markets in each State in which it is licensed to issue plans. To satisfy this provision, section 156.515(c)(1) of the Final Rule states that at least two-thirds of the contracts written by a CO-OP must be CO-OP qualified health plans offered in the individual and small group markets of the States in which the CO-OP is licensed. Section 1322(c)(4) of the Affordable Care Act directs that a CO-OP's profits be used to lower premiums, improve benefits, or for other programs intended to improve the quality of health care delivered to its members. Additionally, the Advisory Board recommended that revenue be used to expand enrollment, or otherwise contribute to the stability of coverage offered by the CO-OP. These new consumer-run, private, nonprofit insurers will be a vehicle for providing quality plans that are affordable, coordinated, and responsive.

Several successful health insurance cooperatives currently exist around the country. However, the establishment of additional health insurance member-based organizations has been impeded by the difficulty of obtaining start-up capital and meeting reserve requirements under current market conditions. The CO-OP program is designed to help overcome this barrier to entry in the health insurance market by providing two types of loans: Start-up Loans and Solvency Loans to eligible applicants to assist them with meeting State solvency requirements. However, section 1322(b)(3) requires that such Solvency Loans be repaid in 15 years. Although the statute refers to Solvency Loans as "grants," they are loans because they must be repaid.

[1] On December 8, 2011, CMS displayed the Final Rule in the *Federal Register*, Patient Protection and Affordable Care Act; Establishment of Consumer Operated and Oriented Plan (CO-OP) Program, including the finalized text of subpart F of part 156, 45 CFR § 156.500 - .520. This Funding Opportunity Announcement describes the provisions of subpart F, as effective in the Final Rule.

An applicant may apply in this announcement for (1) joint Start-up and Solvency Loans;[2] or (2) only a Solvency Loan. The first option provides the recipient with both a Start-up Loan and a Solvency Loan issued through a single application. Start-up Loans are intended to assist applicants with the many start-up costs associated with establishing a new health insurance issuer. Solvency Loans are intended to assist applicants with meeting the solvency requirements of States in which the applicant seeks to be licensed to issue CO-OP qualified health plans.

B. Authority

Section 1322 of the Affordable Care Act directs the Secretary to establish the CO-OP program that provides loans to foster the creation of member-governed qualified nonprofit health insurance issuers to offer CO-OP qualified health plans in the individual and small group markets in the States in which they are licensed to offer such plans.

C. CO-OP Governance Requirements

Pursuant to section 1322 of the Affordable Care Act, CO-OPs must be consumer-governed. The minimum standards an organization must meet in order to be considered a CO-OP, including that the organization be governed by a board of directors, all of whom must be elected by a majority vote of the CO-OP's members, are described in 45 CFR part 156 subpart F. Because it is impossible to meet this standard prior to actually enrolling members, the Final Rule allows a formation board of directors to govern the CO-OP until no later than one year after the effective date on which the CO-OP provides coverage to its first member, at which time the CO-OP must hold elections for the "operational" board of directors. The transition to governance by the full operational board can occur in phases through two or more elections. The entire operational board must be elected no later than two years after the effective date on which the CO-OP provides coverage to its first member.

Please see 45 CFR §156.515 for additional CO-OP governance requirements. An applicant for joint Start-up and Solvency Loans or only a Solvency Loan should refer to section IV.B.7 for application instructions related to CO-OP governance.

D. Program Goals

Section 1322 of the Affordable Care Act created the Consumer Operated and Oriented Plan program (CO-OP program) to foster the creation of new consumer-governed, private, nonprofit health insurance issuers, known as "CO-OPs." In addition to improving consumer choice and plan accountability, the CO-OP program also seeks to promote integrated models of care and enhance competition in the Affordable Insurance Exchanges established under sections 1311 and 1321 of the Affordable Care Act.

[2] This option is referenced throughout the FOA as "joint Start-up and Solvency Loans." Although an applicant will submit only one application to apply for both 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.

E. Types of Awards

1. Joint Start-up and Solvency Loans

Start-up Loans are intended to assist applicants with approved start-up costs associated with establishing a new health insurance issuer.

Pursuant to section 1322(b)(2)(C)(ii) of the Affordable Care Act, loan recipients are prohibited from using any funds received under this Funding Opportunity Announcement for carrying on propaganda, or otherwise attempting, to influence legislation; or for marketing.

An applicant is not required to apply for a Start-up Loan. If an applicant has already accomplished the tasks intended to be funded by the Start-up Loan, it may apply directly for a Solvency Loan. Please see subsection 2 below for information on applying for only a Solvency Loan and a description of the intended uses of the Solvency Loan.

If an applicant applies for a Start-up Loan, that application will also be considered an application for a Solvency Loan. Loan recipients will be awarded joint Start-up and Solvency Loans at the same time. However, funds available under the Solvency Loan will be available for drawdown only when the loan recipient has met the conditions established in the Loan Agreement and all other statutory, regulatory, and other requirements, including any relevant State insurance regulations.

After the first drawdown of Start-up Loan funds, subsequent drawdowns will be conditioned on the submission of evidence of the loan recipient's successful completion of milestones described in the loan recipient's Business Plan and Loan Agreement. Please see subsection 2 below for Solvency Loan disbursement restrictions and repayment parameters.

Loan recipients cannot be licensed until they meet State solvency and reserve requirements; therefore, loan recipients may draw down the initial installment of their Solvency Loan before they are licensed. No later than three years following the first drawdown of the Start-up Loan or one year following the first drawdown of the Solvency Loan, recipients must be licensed in each State in which the loan recipient is offering a CO-OP qualified health plan and must offer at least one CO-OP qualified health plan at the silver and gold benefit levels in every individual market Exchange that serves the geographic regions in which the organization is licensed to operate and if an applicant chooses to offer at least one plan in the small group market outside the Exchange, it must offer at least one CO-OP qualified health plan at the silver and gold benefit level in each SHOP that serves the geographic regions in which the organization offers coverage in the small group market. These standards are set forth in the Final Rule 45 CFR § 156.515. In addition, loan recipients are directed to hold election for the CO-OP's operational board of directors within one year of the effective date on which the CO-OP provides coverage to its first member. The transition to governance by the full operational board can occur in two phases through two or more elections. The entire operational board must be elected no later than two years after the effective date on which the CO-OP provides coverage to its first member.

Although it is not required, loan recipients are strongly encouraged to be operational by October 2013 so that on January 1, 2014, they will be able to provide coverage to members enrolled through the Exchanges.

In addition to the deadline to become licensed and offer CO-OP qualified health plans as defined in the Final Rule and the deadline to hold elections for the operational board of directors, a loan recipient must implement all the standards to be a CO-OP, finalized at 45 CFR § 156.515, within 5 years following the first drawdown of the Start-up Loan or 3 years following the first drawdown of the Solvency Loan. The lag time between when the loan recipient (1) must be licensed and offering the specified health plans and (2) must meet all the standards to be a CO-OP, effective at 45 CFR part 156 subpart F, is permitted so that the CO-OP has time to meet governance requirements and the proposed provision that at least two-thirds of the contracts issued by the CO-OP be qualified health plans offered in the individual market or individual and small group markets of the States in which the CO-OP is licensed.

2. Solvency Loans

Solvency Loans are intended to assist loan recipients with meeting the reserve requirements of States in which the applicant seeks to be licensed to issue CO-OP qualified health plans. Solvency Loans must be repaid. However, as finalized in section 156.520(a)(2) of the Final Rule, CMS will structure them in a manner that ensures the loan amount is recognized as contributing to the State-determined reserve requirements or other solvency requirements (rather than debt) consistent with the insurance regulations for the States in which the loan recipient will offer CO-OP qualified health plans. In order to assist CO-OPs in meeting State solvency and reserve requirements, the loans will be structured so that premiums would go to pay claims and meet cash reserve requirements before repayment to CMS. The goal of this provision is to satisfy the reserve requirements of the individual insurance department in the States in which each CO-OP seeks licensure.

As previously mentioned, applicants are not required to apply for a Start-up Loan in order to be awarded a Solvency Loan. However, the same application is used to apply for joint Start-up and Solvency Loans and for only a Solvency Loan (see section IV.B for application parameters). An application for only a Solvency Loan must demonstrate that the applicant has already accomplished the tasks intended to be funded under the Start-up Loan (e.g., the applicant should submit proof that it has already developed a provider network). On the other hand, the direction to submit a detailed business plan and budget are not prospective and must be included in the Solvency Loan application. In short, an applicant for a Solvency Loan must demonstrate that it can become licensed and fully operational within one year of receipt of the Solvency Loan.

CMS anticipates that Solvency Loan recipients may need to draw down the loan in multiple phases. Applicants should request the total amount they anticipate requiring during the life of the loan and not the amount for initial drawdown. After the first drawdown of Solvency Loan funds, subsequent drawdowns will be conditioned on the submission of evidence of the loan recipient's successful completion of milestones described in the loan recipient's Business Plan and Loan Agreement.

Milestones for drawdown of the Solvency Loan will be tied to enrollment and plan benefit costs in the CO-OP. As enrollment increases, the CO-OP will be eligible to draw down funds from its Solvency Loan as necessary to meet State and actuarially sound financial requirements. Solvency Loan recipients will submit regular financial and program reports to CMS until 10 years after the date of final loan repayment.

See Section II.G.2, "Interest Rates," for an explanation of the applicable interest rate that will be charged to each loan recipient. For additional information on terms of repayment, please see Section II. The terms of repayment will be further detailed in the Loan Agreement.

Although it is not required, loan recipients are strongly encouraged to complete the activities funded by the Start-up Loans and begin to draw down on their Solvency Loans on a schedule enabling them to be operational by October 2013 so that on January 1, 2014, they will be able to serve members enrolled through the Exchanges.

In addition to the deadline to become licensed and offer the specified health plans and the deadline to hold elections for the operational board of directors, a loan recipient must implement all of the standards to be a CO-OP, finalized at 45 CFR part 156 subpart F, within 3 years following the first drawdown of the Solvency Loan. The lag time between when the loan recipient must (1) be licensed and offering the specified health plans and (2) meet all standards to be a CO-OP is permitted so that the CO-OP has time to meet governance requirements and the provision that at least two-thirds of the contracts issued by the CO-OP be in the individual and small group market.

F. Milestones for joint Start-up and Solvency Loans and only Solvency Loans

The loan recipient will be allowed to draw down funds awarded under (1) the joint Start-up and Solvency Loans or (2) only the Solvency Loan (depending on which type(s) of loans the recipient is awarded) as the recipient reaches milestones proposed in its application and finalized in its Loan Agreement(s). An applicant for the relevant loan(s) must propose milestones and corresponding loan drawdowns in its Business Plan. Examples of possible milestones would be approval of Start-up Loan application; initial hiring of administrative, management, and professional staff; renting workspace, contracting for administrative services; hiring consultants and attorneys to assist with the licensure process, provider negotiation and contracting, vendor contracting, and renting provider networks; satisfying initial State deposits and solvency and reserve amounts; and achieving projected enrollments. The milestones and drawdown plan, which may be modified by CMS in cases where such modification may be warranted to maintain coverage for the CO-OP's enrollees, prevent market disruption, or serve another public purpose, will be included in the loan recipient's Loan Agreement. This approach provides the greatest flexibility to accommodate the varying revenue needs of loan recipients while ensuring that loan money is not provided until it is needed as evidenced by the achievement of the pre-determined milestones and supporting documentation.

To facilitate CMS monitoring efforts under this program, loan recipients must notify CMS at least one month in advance, if they have reason to believe that they will be unable to meet any of their milestones. The form and type of this communication will be established as part of the loan agreement. This advance notification will allow CMS to work with the loan recipient and provide technical assistance, as appropriate, to help the loan recipient meet its milestones and avoid non-compliance with its Loan Agreement.

Applicants for either the joint Start-up and Solvency Loans or only the Solvency Loan must develop and submit a Business Plan that includes milestones according to the guidelines described below. The award for the joint Start-up and Solvency Loans will be issued as two separate loans from a single application. An applicant applying for joint Start-up and Solvency Loans must provide a Business Plan that includes milestones, corresponding proposed loan drawdown amounts and anticipated fund uses for:

1. The 5 year period beginning with the first drawdown of Start-up Loan funds, leading to the first drawdown of the Solvency Loan and culminating at the point the loan recipient is offering the specified CO-OP qualified health plans in the individual Exchange(s);
2. The point when the loan recipient holds elections for its operational board of directors;
3. The point when the loan recipient meets the CO-OP minimum standards, finalized at 45 CFR part 156 subpart F, including all governance requirements and the provision that at least two-thirds of the contracts issued by the CO-OP are in the individual and small group markets; and
4. The points of additional drawdowns of the Solvency Loan and triggers for the drawdowns (such as enrollment targets, coverage needs, or potential changes in the business or regulatory climate).

Solvency Loans can only be used for limited purposes to support State solvency and reserve requirements. An applicant applying only for a Solvency Loan must provide a Business Plan that includes milestones, corresponding proposed loan drawdowns, and anticipated fund uses for:

1. The one year period beginning with the first drawdown of funds and culminating at the point the CO-OP is offering the specified CO-OP qualified health plans in the individual Exchange(s);
2. The point when the loan recipient holds elections for its operational board of directors;
3. The point when the loan recipient meets the CO-OP minimum requirements, finalized 45 CFR part 156 subpart F, including all governance requirements and the requirement that at least two-thirds of the contracts issued by the CO-OP are in the individual and small group markets; and
4. The points of additional drawdowns of the Solvency Loan and triggers for the drawdowns (such as enrollment targets, coverage needs, potential changes in the business or regulatory climate or others).

Standards for an applicant's Business Plan are described in more detail in Section IV.B.2.

G. Tax Exemption

Consistent with section 1322(h) of the Affordable Care Act, a CO-OP has the option but is not required to apply for a tax exemption under section 501(c)(29) of the Internal Revenue Code of 1986.

H. Deeming of qualified health plans offered by CO-OPs.

Starting in 2014, individuals and small businesses will be able to purchase private health insurance through State-based competitive marketplaces called Affordable Insurance Exchanges. Exchanges will offer Americans competition, choice, and clout.

As stated in §156.520(e) of the Final Rule, Health plans offered by a loan recipient may be deemed certified by CMS as a qualified health plan to participate in the Exchanges for up to 10 years following the life of any loan awarded to the loan recipient, consistent with section 1301(a)(2) of the Affordable Care Act. As described in the Final Rule, CO-OPs deemed to be certified to participate in the Exchanges will be re-evaluated every two years for compliance with deeming criteria. To be deemed as certified by CMS to participate in the Exchanges, the loan recipient must comply with the standards for CO-OP qualified health plans set forth pursuant to section 1311(c) of the Affordable Care Act, all State-specific standards established by an Exchange for qualified health plans operating in that Exchange, and the standards of the CO-OP program as set forth in the Final Rule. If a loan recipient is deemed to be certified or loses its deemed status and is no longer deemed as certified to participate in the Exchanges, CMS or an entity designated by CMS will provide notice to the Exchanges in which the loan recipient offers CO-OP qualified health plans.

II. AWARD INFORMATION

A. Type of Assistance

Loans.

B. Total Funding

Budget authority of $3.8 billion, less anticipated administrative or other program costs.

C. Award Type

There are two types of loans available. Funds are available to support joint Start-up and Solvency Loans, or only a Solvency Loan. The award amount will be based on the type of loan and the specific needs of each applicant. In determining loan amounts, CMS will look for efficiencies and evaluate whether the proposed budget is sufficient, reasonable, and cost effective to support activities proposed in the application.

D. Anticipated Award Date

Loan awards or a response to the application will be provided approximately 75 days after each applicant receives notice that its application is complete.

E. Estimated Number of Awards

We estimate that 51 applicants will be awarded joint Start-up and Solvency Loans or only Solvency Loans because section 1322 of the Affordable Care Act envisions a viable CO-OP in every State and the District of Columbia.

These numbers are estimates. The number of awards will vary according to the number of applications and the size of awards. The estimated number of awards reflects the statutory goal of the CO-OP program to establish a CO-OP in each State. It should be noted, however, that the statute allows CMS to fund more than one qualified nonprofit health insurance issuer in any State if the funding is sufficient to do so. However, CMS is unlikely to fund CO-OPs that will directly compete with each other for the same target market if actuarial analysis indicates that these CO-OPs would be less likely to repay loans under those circumstances. If there is no applicant from a State, CMS may award loans to encourage the expansion of a qualified nonprofit health insurance issuer from another State to that State or take other steps to encourage the development of a CO-OP in a State. Additionally, an applicant may apply for loans to establish a CO-OP in more than one State.

For the purposes of this FOA, a “State” means each of the 50 States and the District of Columbia.

All awards (new and continuation) that are issued under this announcement are subject to the availability of funds as well as satisfactory progress. In the absence of funding, CMS is under no obligation to make awards under this announcement.

F. The Period of Performance, Reporting Period and Monitoring Period

1. "Period of Performance": The period of performance means the period beginning on the date that all parties have signed the Loan Agreement and ending on the date that is ten years after the date on which the recipient makes the final repayment of all loans received. The recipient will have to complete each specified milestone in order to draw down an installment of the loan amount.

2. "Reporting Period": The reporting period means the time during which the recipient must submit program and financial reports to CMS. The reporting period runs simultaneously with the performance period.

3. "Monitoring Period": The monitoring period means the time during which the recipient is subject to oversight by CMS, including site visits and requests for information initiated by CMS that supplement required periodic reports. The monitoring period runs simultaneously with the performance period.

G. Repayment of Loans

1. Repayment Terms

An applicant must demonstrate the intention and the ability to repay within the statutory repayment window any and all loans received pursuant to this Funding Opportunity Announcement, including applicable interest.

Loan repayment terms will be specified in the Loan Agreement and shall be consistent with the terms of the Final Rule as well as with all relevant statutory, regulatory, and other requirements. Repayment terms will be consistent with State solvency regulations and other similar State laws that may apply, as specified in section 1322(b)(3) of the Affordable Care Act. Repayment periods will be separately calculated for each partial draw of the total loan amount. Each draw against a Start-up Loan must be repaid within five years of the specific drawdown date, and draws against a Solvency Loan must be repaid within fifteen years of the specific drawdown date.

The loan recipient must make loan payments consistent with the repayment schedule approved by CMS and agreed to by the loan recipient until the loan is paid in full consistent with State reserve requirements, solvency regulations, and requisite surplus note arrangements. The repayment schedule may include a grace period, graduated repayments, or a balloon payment (i.e., a large payment for either part or all of the loan amount near the end of the repayment period).
CMS reserves the right to execute a loan modification or a workout with the loan recipient if CMS determines that the loan recipient is unable to repay the loans as a result of State reserve requirements, solvency regulations, or requisite surplus note arrangements or without compromising coverage stability, member control, quality of care, or market stability. CMS will only undertake to negotiate a loan modification or loan workout, in the judgment of CMS, such a modification or workout is in the best interest of consumers, the public, and the CO-OP program, and such action is consistent with all statutory, regulatory, or other requirements.

In the case of a loan modification or workout, the repayment period for loans awarded pursuant to this Funding Opportunity is the repayment period established in the loan modification or workout, subject to the CO-OP's ability to meet State reserve requirements, solvency regulations, or requisite surplus note arrangements.

The loan recipient must return to CMS any loan amounts that are not used as described in the Loan Agreement.

2. Interest Rates.

Start-up Loan recipients will be charged an interest rate equal to the average interest rate on marketable Treasury securities of similar maturity minus 1 percentage point (provided that interest shall not be less than 0%) on the amount of the drawdown unless: (1) the Start-up Loan recipient fails to repay the Start-up Loan within the repayment period and has not executed a loan modification agreement; (2) the Start-up Loan is terminated by CMS pursuant to sections II.H.3 or II.H.4; or (3) the Start-up Loan recipient fails to comply with additional conditions to be specified in the Loan Agreement. In such cases, penalty interest in subsection II.H.7 may apply. The interest rate will be determined based on the date of the award.

Solvency Loan recipients will be charged an interest rate equal to the average interest rate on marketable Treasury securities of similar maturity minus 2 percentage points (provided that interest shall not be less than 0%) on the amount of the drawdown unless: (1) the Solvency Loan recipient fails to repay the Solvency Loan within the repayment period and has not executed a loan modification agreement; (2) the Solvency Loan is terminated by CMS pursuant to sections II.H.3 or II.H.4; or (3) the Solvency Loan recipient fails to comply with additional conditions to be specified in the Loan Agreement. In such cases, penalty interest in subsection II.H.7 may apply. The interest rate will be determined based on the date of the award.

If the Loan Agreement is terminated by CMS pursuant to II.H.3 and II.H.4, the penalty provisions of subsection II.H.7 apply.

3. Failure to pay.

If a loan recipient fails to make loan payments consistent with the repayment schedule or loan modification or workout approved by CMS, CMS may use any and all remedies available under law to collect the debt.

H. Termination of Loan Agreement.

If an organization's loan is terminated:

- CMS will make no additional disbursements to the organization;

- CMS will notify the Internal Revenue Service of any Loan Agreement termination or other program non-compliance that may result in the termination of a loan recipient's tax-exempt status under section 501(c)(29) of the Internal Revenue Code of 1986;
- CMS will inform State regulators of any action by CMS to terminate a loan recipient's participation in the program.
- CMS will notify the relevant Exchanges that the CO-OP is no longer deemed to be a CO-OP qualified health plan; and
- The CO-OP must pay any applicable penalties and make any applicable repayments consistent with the Loan Agreement, this Funding Opportunity Announcement, and section 1322 (b)(2)(C)(iii) of the Affordable Care Act.

1. Termination of Loan Agreement by CO-OP

A loan recipient may terminate its Loan Agreement if:

(1) The organization no longer believes that it can create a viable and sustainable CO-OP;
(2) The organization provides documentation to CMS in support of such assertion; and
(3) CMS approves the request for termination.

A loan recipient that terminates its Loan Agreement must inform CMS and its members of its decision to terminate consistent with the terms specified in the Loan Agreement and State insurance law. If a loan recipient's Loan Agreement is terminated for any reason, the loan recipient must comply with all applicable Federal and State insurance laws and regulations relevant to its termination from the CO-OP program, including, but not limited to those pertaining to notification to enrollees, licensure, and market participation.

2. CMS-initiated Termination with CO-OP Consent

CMS may request that a loan recipient terminate its Loan Agreement if CMS no longer believes that the loan recipient can establish a viable and sustainable CO-OP that serves the interests of its community and the goals of the CO-OP program.

The loan recipient must inform CMS of its response to the termination request within 30 days.
If the loan recipient decides not to terminate its Loan Agreement, it must provide documentation to CMS demonstrating the viability of its business plan and provide a justification for why the loan recipient should be permitted to continue participating in the CO-OP program. CMS reserves the right to terminate the loan without the CO-OP's consent if the CO-OP's documentation and justification do not persuade CMS that the loan recipient can establish a viable and sustainable CO-OP that serves the interests of its community and the goals of the CO-OP program. Under these circumstances, the provisions in #6 below will apply.

3. Termination Due to Non-compliance

CMS may terminate the Loan Agreement with a loan recipient if the organization, its providers and suppliers, or contracted entities performing services on its behalf:

a. Fail to meet quality and performance standards, including implementation milestones, enrollment targets, consumer governance and responsiveness, as specified in the Loan Agreement, or any other contractual obligation with CMS;
b. Are not in compliance with one or more provisions finalized in 45 CFR part 156 subpart F.
c. Engage in improper use of Federal funds;
d. Fail to reinvest profits for the benefit of the members;
e. Are unable to effectuate any changes as prescribed by subsequent regulation during the agreement period after given the opportunity to comply with the regulatory change;
f. Engage in material noncompliance, or demonstrate a pattern of noncompliance with reporting requirements;
g. Fail to submit an approvable corrective action plan (CAP), fail to implement an approved CAP, or fail to improve performance after the implementation of a CAP;
h. Violate any applicable laws, rules, or regulations that are relevant to the loan recipient's operations; or
i. Knowingly submit to CMS false, inaccurate, or misleading data or information related to the CO-OP program application, governance information, quality data, financial data, and enrollment data.

4. Immediate Termination to Avoid Imminent Harm

CMS may immediately terminate a Loan Agreement with a loan recipient if CMS has cause to believe that the organization engages in, or has engaged in, criminal or fraudulent activities or activities that cause material harm to the CO-OP's members. If a loan recipient's Loan Agreement is terminated for this reason the loan recipient must immediately cease its operations under the CO-OP program, consistent with State regulation. CMS will notify state regulators of any termination under this section.

5. Compliance with State insurance regulation

If a loan recipient's Loan Agreement is terminated for any reason, the loan recipient must comply with all State insurance regulation relevant to its termination from the CO-OP program.

6. Appeal of termination

A loan recipient with a Loan Agreement that is terminated pursuant to subsections 2, 3, or 4 above may appeal CMS' decision to terminate within 30 days or the loan recipient's receipt of the notice of termination, consistent with the terms of its Loan Agreement.

7. Penalty payment

Pursuant to section 1322(b)(3) of the Affordable Care Act, if the Loan Agreement is terminated by CMS pursuant to subsections II.H.3 or II.H.4, the loan recipient must repay to the Secretary an amount equal to the sum of: 110 percent of the aggregate amount of loans received pursuant to this Funding Opportunity; plus interest on the aggregate amount of loans received pursuant to this Funding Opportunity for the period when the loans were outstanding at an interest rate equal to the average interest rate on marketable Treasury securities of similar maturity. The interest rate will be determined at the date of award. CO-OPs that voluntarily terminate their loan agreements pursuant to subsections H.1 and H.2 above will not be subject to the penalty.

8. Forfeiture of loan funding

If a loan recipient's Loan Agreement is terminated, the organization forfeits all unused loan funds received under the CO-OP program. The loan recipient must repay any unused loan funds to CMS:

a. Within 60 days following the resolution of any outstanding debts and run out of outstanding claim obligations, consistent with State insurance regulations if its Loan Agreement is terminated pursuant to subsections H.1, H.2, or H.3, above; or
b. Immediately following the resolution of any outstanding debts consistent with State insurance regulations if its Loan Agreement is terminated pursuant to subsection H.4, above.

The remaining loan funds, interest, and if applicable, penalty, must be repaid in accordance with the terms of the Loan Agreement.

III. ELIGIBILITY INFORMATION

A. Eligible Applicants

To be eligible to apply for a loan under the CO-OP program, an applicant must:

1. Intend to become a CO-OP;
2. Have formed a private nonprofit member organization (see Section IV.B for acceptable evidence of certified nonprofit status); and
3. Submit in its loan application an Eligibility Affidavit and Application Certification signed by the applicant's chief executive officer, chief financial officer, or an officer of the applicant's Board of Directors, certifying the accuracy, completeness, and truthfulness of all information contained in the loan application; and certifying that, if the applicant organization is awarded loan(s) under this FOA, it will repay them according to the terms laid out in this FOA, finalized in 45 CFR part 156 subpart F, and in the Loan Agreement issued when the award is announced. The signatory must be legally authorized to bind the organization. For a description of the Eligibility Affidavit and Application Certification, see Section IV.B.10.
4. Commit to offering a CO-OP qualified health plan at the silver and gold benefit levels in every individual market Exchange that serves the geographic regions in which it is licensed and intends to provide health care coverage;
5. If choosing to offer at least one plan in the small group market outside the Exchange, commit to offering a CO-OP qualified health plan at both the silver and gold benefit levels in each SHOP that serves the geographic regions in which the organization offers coverage in the small group market; and
6. Commit that at least two-thirds of the contracts issued by the CO-OP will be CO-OP qualified health plans offered in the individual market or individual and small group markets of the States in which the CO-OP is licensed.

In addition to all other newly formed nonprofit applicant organizations, the following entities are examples of entities that may be eligible to sponsor CO-OPs, provided that they meet the eligibility criteria described above and do not meet the conditions described in subsection B below:

1. A prospective applicant that was not licensed by its State as a health insurance issuer on July 16, 2009, but which has subsequently acquired a State license;
2. Self-funded and Taft-Hartley group health plans;
3. Church plans that were not licensed issuers on July 16, 2009; and
4. Three-share or multi-share programs not licensed by their State insurance regulator.

B. Exclusions from Eligibility

As stated in section 156.510(b) of the Final Rule, an organization is not eligible to apply for a loan if either of the following conditions is met:

1. The organization or a sponsor of the organization is a pre-existing issuer, a holding company (an organization that exists primarily to hold stock in other companies) that controls a pre-existing issuer, a trade association whose members consist of pre-existing issuers and whose purpose is to represent the interests of pre-existing issuers, a foundation established by a pre-existing issuer, a related entity, or a predecessor of either a pre-existing issuer or related entity.
    a. A pre-existing issuer means an insurance company insurance service, or insurance organization (including an HMO) which is licensed to engage in the business of insurance in a State and which is subject to State law which regulates insurance, that was in existence on July 16, 2009.
    b. A related entity means an entity that shares common ownership, control, or governance (including management team or Board members) with a pre-existing issuer, and satisfies at least one of the following conditions:
        i. Retains responsibilities for the services to be provided by the issuer;
        ii. Furnishes services to the issuer's enrollees under an oral or written agreement; or
        iii. Performs some of the other issuer's management functions under contract or delegation.
    c. A predecessor, with respect to a new entity, means any entity that participates in a merger, consolidation, purchase or acquisition of property or stock, corporate separation, or other similar business transaction that results in the formation of the new entity.
2. The organization receives 25 percent or more of its total funding (excluding any loans received from the CO-OP Program) from pre-existing issuers, holding companies (organizations that exists primarily to hold stock in other companies) that control pre-existing issuers, trade associations comprised of pre-existing issuers and whose purpose is to represent the interests of the health insurance industry, foundations established by a pre-existing issuer, a related entity, or a predecessor of either a pre-existing issuer or related entity.
3. A State or local government, any political subdivision thereof, or any instrumentality of such government or political subdivision is a sponsor of the organization.
    a. Sponsor means an organization or individual that is involved in the development, creation, or organization of the CO-OP or provides 40 percent or more in total funding to a CO-OP (excluding any loans received from the CO-OP Program).

The exclusion of pre-existing issuers does <u>not</u> exclude from eligibility an applicant that:

a. Has as a sponsor a nonprofit organization that is not an issuer, and that also sponsors a pre-existing issuer, provided that the pre-existing issuer does not share any of its board or the same chief executive, chief operating, or chief financial officer with the applicant; or
b. Has purchased assets from a preexisting issuer provided that it is an arm's-length transaction where each party acts independently and has no other relationship with the other party.

The exclusion of any instrumentality of a State or local government does not exclude from eligibility or sponsorship an organization that:

a. Is not a public organization under State law;

b. Has no employee of a State or local government serving in his or her official capacity as a senior executive (for example, President, Chief Executive Officer, or Chief Financial Officer) for the organization; and
c. Has a board of directors on which fewer than half of its directors are employees of a State or local government serving in their official capacities.

C. Continued Eligibility of Loan Recipient

In order to remain eligible to draw down funds loaned under this FOA, the loan recipient must:

1. Comply with all the provisions of section 1322 of the Affordable Care Act, finalized at 45 CFR part 156 subpart F, and those of the Loan Agreement by the deadlines specified;
2. Meet the milestones described in its Business Plan and Loan Agreement, or notify CMS of its inability to meet the applicable milestone at least one month in advance and receive approval to continue to draw down;
3. Notify CMS at least one month in advance of any significant changes to its governance structure and receive confirmation that the proposed changes will not affect its continued eligibility;
4. Comply with the reporting, monitoring, and recordkeeping requirements described in part VI of this FOA.
5. Ensure that any contract between the CO-OP and a contractor for administrative, information technology, or clinical services includes provisions that protect consumer control of the organization. All contracts for services that affect the CO-OP's activities that are integral to the provision of health care coverage must be approved by the board of directors;
6. Ensure that the CO-OP must use any revenue in excess of its expenses to lower premiums, improve benefits, or for other programs intended to improve the quality of health care delivered to its members. This standard does not preclude the CO-OP from using revenue or profits to conduct marketing, repay loans awarded under this subsection, meet State solvency requirements, or accumulate reasonable and sufficient reserves, as determined by State insurance laws and regulations or CMS, to provide for enrollment growth, financial stability, and stable coverage for its members;
7. Require any contractors to comply with the loan recipient's obligations related to the contractor's scope of work under its Loan Agreement; and
8. Implement measures to prevent, detect, correct, and promptly report to CMS any potential fraud, waste, and abuse committed by the loan recipient, its employees, and its contractors. These measures include the development and implementation of internal compliance plans.

D. Cost-sharing or Matching

Cost-sharing or matching is not required. However, applicants are encouraged to secure private support, including but not limited to committed funding, committed in-kind support, letters of intent from key stakeholders or partners (e.g., provider groups) to participate in the CO-OP or its formation, and letters of support from key community leaders. In addition to mentioning it in the Project Narrative, an applicant should include any evidence of private support as an attachment. Please see Section IV.B for

more information. It is possible that letters of support sent separately to HHS or CMS will not be included by CMS in the application submission and therefore may not receive consideration in the application review process. All letters of support should be attached to the application by the applicant.

IV. APPLICATION AND SUBMISSION INFORMATION

A. Address to Request Application Package

This announcement serves as the application package for a loan under the Consumer Operated and Oriented Plan (CO-OP) Program. It contains all the instructions to enable a potential applicant to apply. The application should be written primarily as a narrative with the supplemental materials submitted as directed and with the addition of standard forms required by the Federal government.

It is requested, but not required, that an applicant submit a Letter of Intent at the earliest possible date indicating the applicant's intent to apply for joint Start-up and Solvency Loans, or a Solvency Loan. The purpose of the Letter of Intent is to enable CMS to estimate the number of applications and adequately prepare for application review. The Letter of Intent must be signed by the Chief Executive Officer (CEO), Chief Financial Officer (CFO), or an officer of the applicant's Board of Directors. The signed Letter of Intent must be submitted electronically in PDF format to CO-OP Project Officers Ilana Cohen at ilana.cohen@cms.hhs.gov or Anne Bollinger at anne.bollinger@cms.hhs.gov.

Application materials will be available for download at http://www.grants.gov. HHS requires applications for all announcements to be submitted electronically through http://www.grants.gov. Although applications must be submitted via http://www.grants.gov, this funding opportunity is a loan program. For assistance with http://www.grants.gov, which is available 24 hours a day, 7 days a week, except on Federal Holidays, contact support at http://www.grants.gov or call 1-800-518-4726. At http://www.grants.gov, applicants will be able to download a copy of the application packet, complete it off-line, and then upload and submit the application. This Funding Opportunity Announcement can also be viewed on HHS's website at http://www.hhs.gov.

1. Application Personnel

- Project Officer
  Every applicant must designate a Project Officer. The Project Officer implements work plans to ensure that the project goals and objectives are achieved in an efficient and timely manner. The Project Officer will be responsible for submitting completed required performance and financial reports on time as required in the Notice of Award (NoA) and/or Loan Agreement. The applicant should select a senior manager to serve as the Project Officer.
- Authorized Organizational Representative (AOR)
  Every applicant must designate an Authorized Organizational Representative (AOR). The AOR is an individual with the authority to act on the applicant's behalf. In signing an application for a loan, the AOR agrees that the applicant will assume the obligations imposed by applicable State

and Federal statutes and regulations and other terms and conditions of the applicable Loan Agreement. The AOR may be held accountable for the appropriate use of funds and the performance of the supported project or activities. The applicant should select the chief executive officer, the chief financial officer, or an officer of its Board of Directors to serve as the AOR.

2. Instructions for Applications Submitted via http://www.grants.gov:

- You can access the electronic application for this project on http://www.grants.gov. You must search the downloadable application page by the CFDA number found on the cover page of this funding opportunity announcement.
- At the http://www.grants.gov website, you will find information about submitting an application electronically through the site. Technical support is available 24 hours a day, 7 days a week, except Federal holidays. **We strongly recommend that you do not wait until the application due date to begin the application submission process through http://www.grants.gov because technical errors in the submission that are unable to be resolved by the deadline may result in the rejection of the application and require the applicant to submit in the next quarterly submission cycle.**
- All applicants and sub-recipients must have a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number. The DUNS number is a nine-digit identification number that uniquely identifies business entities. Obtaining a DUNS number is easy and free. To obtain a DUNS number, access the following website: http://www.dunandbradstreet.com or call 1-866-705-5711. This number should be entered in the block with the applicant's name and address on the cover page of the application and in Item 8c on the Form SF 424, Application for Federal Assistance. The name and address in the application should be exactly as given for the DUNS number.
- The applicant and sub-recipients must also register in the Central Contractor Registration (CCR) database in order to be able to submit the application. **Applicants are encouraged to register early. An applicant should allow a minimum of two weeks to complete the CCR registration.** Information about CCR is available at http://www.ccr.gov. The central contractor registration process is a separate process from submitting an application. In some cases, the registration process can take approximately two weeks to be completed. Therefore, registration should be completed in sufficient time to ensure that it does not impair your ability to meet submission deadlines. Registration in the CCR must be updated annually.
- The AOR must register with Grants.gov for a username and password. AORs must complete a profile at http://www.grants.gov/applicants/apply_for_grants.jsp using their organization's DUNS Number to obtain their username and password. AORs must wait one business day after registration in CCR before entering their profiles in Grants.gov. **Applicants are strongly encouraged to obtain a username and password at least two weeks prior to application submission.**

- When an AOR registers with Grants.gov to submit applications on behalf of an organization, that organization's E-Biz POC will receive an email notification. The email address provided in the profile will be the email used to send the notification from Grants.gov to the E-Biz POC with the AOR copied on the correspondence.
- The E-Biz POC must then login to Grants.gov (using the organization's DUNS number for the username and the special password called "M-PIN") and approve the AOR, thereby providing permission to submit applications.
- The application narrative may not exceed 75 pages. This includes: The Application Cover Letter, The Application Abstract, The Project Narrative, and the Business Plan (not including pro forma financials, resumes, and any other supporting Excel documents).
- This 75 page limit does not include: Standard Forms (i.e. SF 424), The Feasibility Study certification and analysis, organizational charts, position descriptions, resumes, pro forma financials and other Business Plan attachments, Supporting Excel documents, Governance and Licensure Requirements, Evidence of Nonprofit Status, Relevant Statutory and Regulatory Citations Regarding State Licensure, Eligibility Affidavit and Application Certification, Affidavit(s) of Criminal and/or Civil Proceedings, Affidavit of Eligibility to Participate in Federal Programs, and Evidence of Private Support. Applicants may upload these additional appendices as separate attachments.
- The applicant must submit all documents electronically in PDF format or Microsoft Excel (Please use Microsoft Office 2007), including all information included on the SF 424 and all necessary assurances and certifications, and all other attachments.
- Prior to application submission, Microsoft Vista and Office 2007 users should review the Grants.gov compatibility information and submission instructions provided at http://www.grants.gov. Click on "Vista and Microsoft Office 2007 Compatibility Information."
- All material other than Microsoft Excel documents must be typed in Times New Roman 12 point font, on 8 ½ x 11 inches plain white paper with 1 inch margins. All narrative text should be single spaced. All narrative text pages should be numbered.
- The applicant must upload each required and recommended document from the Start-up Loan and Solvency Loan Application Check List as a separate attachment. The checklist is attached as Appendix A.
- The applicant must include a table of contents page with the application that lists all required and recommended documents in the submission. The table of contents should list each attachment with a brief explanation of what the document is and how many pages it contains (including the number of worksheets within an Excel workbook).
- The applicant must include a header at the top of each attachment clearly indicating what the document is. For example, the Feasibility Study (a required document from the Start-up Loan and Solvency Loan Application Check List) should have a header at the top of each page of the document that says "Feasibility Study" as well as the name of the applicant organization. If a document cannot have a header (i.e. one of the Standard Forms or the resumes) please use a cover page for this attachment indicating what the file is.

- The applicant must use a file name for each attachment that indicates what the document is. For example, the Feasibility Study should be saved as "ABC CO-OP. Feasibility Study.PDF" and not saved as "Attachment A."
- The applicant must use page numbers for the application and separate page numbers for each Attachment. For example, the page numbers in the feasibility study should be labeled "Feasibility Study, page 1."
- Please do not save files or zipped files that are embedded within a PDF or Excel file. Please save all documents as a separate PDF or Excel file and upload them separately.
- After electronically submitting its application, the applicant will receive an automatic acknowledgement from http://www.grants.gov that contains a Grants.gov tracking number. CMS will retrieve your application from Grants.gov. Please be advised that the automatic acknowledgement may not be instantaneous. There could be a delay in receiving this information.
- After CMS retrieves your application from Grants.gov, a return receipt will be emailed to the applicant contact. This will be in addition to the validation number provided by Grants.gov.
- Each year organizations and entities registered to apply for Federal awards through http://www.grants.gov will need to renew their registration with the Central Contractor Registry (CCR). You can register with the CCR online; registration will take about 30 minutes to complete (http://www.ccr.gov).

Applications cannot be accepted through any email address. Full applications can only be accepted through http://www.grants.gov. **Full applications cannot be received via paper mail, courier, or delivery service, unless a waiver is granted per the instructions below.**

All loan applications must be submitted electronically and be received through http://www.grants.gov by 8:00 pm Eastern Time on the respective due date for the application cycle in which the applicant wants to participate. First-round loans will be due October 17, 2011 and subsequent applications will be accepted quarterly up to and including December 31, 2012 according to the following due dates: January 3, 2012, April 2, 2012, July 2, 2012, October 1, 2012 and December 31, 2012.

All applications will receive an automatic time stamp upon submission and applicants will receive an automatic e-mail reply acknowledging the application's receipt.
The applicant must seek a waiver **at least** ten days prior to the application deadline if the applicant wishes to submit a paper application. Applicants that receive a waiver to submit paper application documents must follow the rules and timelines that are noted below.
In order to be considered for a waiver application, an applicant and sub-recipients **must** adhere to the timelines for both Central Contractor Registry (CCR) and Grants.gov registration, as well as request timely assistance with technical problems.

- Applicants should search for the application package in Grants.gov by entering the CFDA number. This number is located on the first page of this announcement.
- Paper applications are not the preferred method for submitting applications. However, if you experience technical challenges while submitting your application electronically, please contact

Grants.gov Support directly at: www.grants.gov/customersupport or (800) 518-4726. Customer Support is available to address questions 24 hours a day, 7 days a week (except on Federal holidays).

- Upon contacting Grants.gov, obtain a tracking number as proof of contact. The tracking number is helpful if there are technical issues that cannot be resolved and a waiver from the agency must be obtained.
- If it is determined that a waiver is needed, the applicant must submit a request in writing (emails are acceptable) to CO-OP Project Officers Ilana Cohen at ilana.cohen@cms.hhs.gov or Anne Bollinger at anne.bollinger@cms.hhs.gov, with a clear justification for the need to deviate from our standard electronic submission process.
- If the waiver is approved, the application should be sent directly to the CO-OP Project Officers at the below address by the application due date:

  Attn: Ilana Cohen or Anne Bollinger
  Center for Consumer Information ad Insurance Oversight
  Department of Health and Human Services
  Hubert H. Humphrey Building
  Room 737F
  200 Independence Ave., S.W.
  Washington, DC 20201

To be considered timely, applications must be sent on or before the published deadline date. Also, all DUNS and CCR requirements must be fulfilled by applicants and sub recipients when submitting paper applications. However, a general extension of a published application deadline that affects all applicants or only those applicants in a defined geographical area may be authorized by circumstances that affect the public at large, such as natural disasters (e.g., floods or hurricanes) or disruptions of electronic (e.g., application receipt services) or other services, such as a prolonged blackout.

B. Content and Form of Application Submission

The applicant has the choice of applying through one application for joint Start-up and Solvency Loans (issued as two separate loans), or applying for only a Solvency Loan. It is assumed that any applicant needing a Start-up Loan will also need to apply for a Solvency Loan. However, an applicant may have already accomplished the tasks funded under a Start-up Loan, and therefore may only need to apply for a Solvency Loan. Regardless of the applicant's choice, the application parameters are the same and are described below.

An applicant may apply for loans to establish a CO-OP in one or more States in conformity with State insurance regulation in every State in which it intends to operate.

Please be aware of the following:

- Officers, employees and contractors of the Centers for Medicare and Medicaid Services may only use the information disclosed or obtained from this announcement, for the purposes of,

and to the extent necessary in (1) carrying out this program including, but not limited to the awarding of CO-OP loans, program monitoring and oversight, and program integrity activities; and (2) for complying with other requirements of Federal law.
- This restriction does not limit the Office of Inspector General's authority to fulfill the Inspector General's responsibilities in accordance with applicable Federal law.
- This restriction does not limit the authority of other departments of the Federal Government to conduct program oversight and program evaluation.

Each joint Start-up Loan and Solvency Loan application or just Solvency Loan application must include all contents described below.

Required Application Documents:
The following documents are necessary for an application for either joint Start-up and Solvency Loans or only a Solvency Loan:

1) <u>Standard Forms</u>

The following forms must be completed with the electronic signature of an applicant's Chief Executive Officer or Chief Financial Officer or an officer of the applicant's Board of Directors and enclosed as part of the application:

- SF424: Official Application for Federal Assistance (see note below)
- SF424A: Budget Information Non-Construction
- SF424B: Assurances Non-Construction Programs
- SF LLL: Disclosure of Lobbying Activities
- Project Site Locating Form(s)
- Lobbying Certification Form (HHS checklist, 5161)
  Note: On SF-424 "Application for Federal Assistance":
- Item 15 "Descriptive Title of Applicant's Project." Please indicate in this section the name of this funding opportunity announcement: Consumer Operated and Oriented Plan [CO-OP] Program.
- Check box "C" to item 19, as Review by State Executive Order 12372 does not apply to these loans.

2) <u>Application Cover Letter</u>

The one page cover letter must provide the following information:

- A statement indicating whether the applicant is applying for both a Start-up Loan and Solvency Loan or only a Solvency Loan;
- Applicant entity name, phone, address, email (if applicable), internet address (if applicable);
- Project Officer name, phone, address, and email;
- Value of private financial support (if any); and
- Loan amount(s) requested.

The cover letter must be signed by the Chief Executive Officer (CEO), Chief Financial Officer (CFO), or an officer of the applicant's Board of Directors and should be addressed to CO-OP Project Officers Ilana Cohen or Anne Bollinger.

3) Application Abstract

Provide a summary of the application (2 pages maximum). Because the abstract is often distributed to the public and Congress, it should be clear, accurate, and concise without relying on references to other parts of the application, and should not contain proprietary information.
Place the following at the top of the abstract:

- A statement indicating whether the applicant is applying for both a Start-up Loan and Solvency Loan or only a Solvency Loan;
- Applicant entity name, phone, address, email (if applicable), internet address (if applicable); and Program applying under, including CFDA number;
- Project Officer name, phone, address, and email;
- Congressional district(s) served; and
- Projected date(s) for accepting applications for enrollment into the CO-OP.

The abstract narrative should include:

- A brief history of the applicant organization;
- A brief description of the populations served by the project;
- A brief description of the target market;
- Separate totals of the amount of start-up and solvency funding requested;
- Date when the applicant will provide health insurance coverage in the Affordable Insurance Exchanges;
- Total projected enrollment over the life of the loan; and
- A brief description of any other relevant information, including the proposed impact of the funding.

4) Project Narrative

An applicant must provide in a narrative format a brief description of its mission, governance structure, and its operational, financial, enrollment, and administrative strategies. The narrative should also include a brief explanation of the applicant's plan to transform its formation board of directors to an operational board of directors that meets the provisions finalized at 45 CFR part 156 subpart F. Finally, the narrative should state briefly the applicant's plan for assembling a provider network. The project narrative should be concise and refer to the relevant sections of the application for more detail on topics covered by these other sections.

5) Feasibility Study

The applicant must submit a feasibility study, supported by actuarial analysis, which examines the likelihood of success for the CO-OP envisioned and the applicant's ability to repay the loan. The feasibility study should address the target market, products to be offered, regulatory scheme, market impact, financial solvency, economic viability, State solvency requirements and other regulations, and any other key factors. The feasibility study should identify and justify any key assumptions. It should also include pro forma financial statements with sensitivity testing for alternative enrollment scenarios and other changes in business assumptions. The professional responsible for preparing the feasibility study must certify its accuracy and objectivity.

6) Business Plan

An applicant must submit a detailed business plan containing at least the items described below.

A. Management Team

An applicant must identify its management team, explain their qualifications and experience, and submit an organizational chart and detailed position descriptions, including the qualifications required for each position. An applicant must also submit the resumes, including personal address, of all current and nominated members of:

- The applicant's development team and management team (including but not limited to: the Chief Executive Officer, the Chief Financial Officer, the Project Officer, and the Authorized Organizational Representative);
- The formation board of directors finalized at 45 CFR § 156.505;
- Key organizational sponsors and supporting stakeholders;
- Any other key employed personnel (including consultants); and
- A company history and letters of reference for contractors performing operational functions for the applicant.
- CMS 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 that the applicant obtain the personnel's consent before sending us their Social Security numbers. All privacy rules will be followed in obtaining such information such as requesting sensitive information be shared via encrypted email or by phone.

B. Provider Arrangements, Target Market and Products

The applicant must provide a detailed description of the applicant's target market, including:

- The geographic area, population, and relevant health demographics;

- The number of issuers and plans already operating in the target market area by market size (individual and small group,);
- A description of the types of plans that the applicant intends to offer in the Affordable Insurance Exchanges;
- A profile of the cohorts or types of subscribers the CO-OP will target in its enrollment strategy; and
- An explanation of why these plans are appropriate for the target market.

The applicant should explain its process for determining accurate and appropriate pricing of premiums. The applicant should describe the provider market in the target area, including a description of discrete service areas. The applicant must submit its implementation plans, contracting strategy, and timelines for obtaining provider services or building a provider network. The applicant must describe its proposed methods for provider payment. If applicable, the applicant should describe any plans to use integrated care models. By "integrated care model," we mean a model of coordinated or collaborated health care that improves efficiency, access, quality, or reduces fragmentation of care. Integrated care models may differ in how health care is coordinated depending on local market and provider resource conditions.

C. Budget and Budget Narrative

The applicant must submit a budget with appropriate budget line items and a narrative that identifies the needed funding to accomplish the goals and milestones of the development period through the licensure and opening of CO-OP enrollment. (Note: The funding available through the Solvency Loan may only be used to augment regulatory capital and will be reflected on the pro forma cash flow and balance sheets.)

An applicant should complete the SF 424A (budget form) and create a budget narrative.

A sample budget narrative is provided in Appendix D of this Funding Opportunity Announcement. The budget narrative must distinguish Start-up Loan funds from other funding sources (as applicable), and must identify areas of private support. The budget narrative must also distinguish between funding that is administered directly by the applicant from funding that will be subcontracted to other partners.

The budget and budget narrative must account for all uses of Start-up Loan funds and cover the full period through which start-up funds are expended. Details will include the following:

- Estimated budget total;
- Total estimated funding requirements and a break down for each line item expenditure, including, but not limited to the following:
    - Personnel;
    - Consultants;
    - Fringe benefits;
    - Contractual costs, including subcontract contracts;

- Equipment;
- Supplies;
- Travel;
- State licensing requirements; and
- All other costs necessary to execute the applicant's business plan and comply with State licensing requirements.

Start-up Loans cannot be used to fund costs associated with construction of facilities, including clinical facilities, nor can Start-up Loans be used for clinical expenses, such as provider salaries or payments, provider clinical space or administrative staff associated with clinical functions, and clinical equipment. These items are intended to be covered by the premiums and reflected in the reimbursement to providers.

D. Enrollment Strategy, Enrollment Forecast, and Regulatory Capital Projections
The applicant must submit its plan to build enrollment and market share, supported by certified actuarial analysis, over the life of the loan. Any actuarial analysis should include a certification by the actuary that certifies the accuracy of the report and identifies methodology used was certifies all methods used are consistent with accepted industry standards.

- Enrollment Strategy: Narrative of how applicant will achieve its enrollment targets including communication channels to the target membership and key approaches to building awareness and understanding of the CO-OP model.
- Enrollment Forecast: Quantitative forecast of the enrollment totals and composition for the first 20 years of the CO-OP. Forecast numbers should be detailed, and tie to the key activities of the business plan. Assumptions used to forecast enrollment in the out-years should be documented and justified. In addition to the base case forecast, this section should include alternative scenarios upon which sensitivity analysis can be built.
- Regulatory Capital Requirements Forecast: The applicant should provide an estimation of the annual total regulatory capital requirements associated with each of the base case and alternative enrollment forecasts.

E. Loan Funding and Repayment Schedule
The applicant will provide a proposed schedule for the timing and amounts of all loan draws and repayments, including interest. For the Start-up Loan funding, this schedule should tie directly to key activities in the business plan and line items on the budget. Disbursement of such funds will be subject to the objective and documented completion of key milestones. For the Solvency Loan, this schedule should tie to the regulatory capital requirement forecast. The timing and amounts of repayment must not exceed the maximum repayment periods as set forth in section II.G.1 of this FOA. Applicants are encouraged to propose repayment schedules reflective of their organization's growth and increasing financial strength following the initial start-up phase.

F. Pro Forma Financials

The applicant must submit pro forma financials covering the period from award through the life of the loan(s). Forecast numbers should be detailed and tie to the key activities of the business plan, including clearly articulated assumptions underlying forecasts of revenues and costs over time. The financials will include:

- Cash Flow Statement that summarizes all sources and uses of cash including but not limited to the loan awards, any third party financial awards or support, start-up development costs, as well as the on-going business operations of the CO-OP;
- Balance Sheet that reflects the year end assets and liabilities of the CO-OP including core regulatory capital; and
- Income Statement that reflects the annual income or losses of the CO-OP consistent with their business operations and governance.

G. Operations

In addition to the items identified above, the applicant should submit the following to explain its plan for becoming operational:

- A timeline of key activities related to membership development;
- A detailed plan for implementing the applicant's financial management system;
- A detailed plan and timeline for building or renting a secure and scalable Information Technology (IT) system capable of supporting administrative functions (e.g., enrollment, cost-sharing reductions, billing, claims payment, pharmacy benefit, premium collection, provider payment, and consumer services) and clinical functions (e.g., quality and outcome metrics, clinical decision-making support, case and disease management, etc.). The plan and timeline should indicate that the IT system will secure private information and facilitate compliance with HIPAA privacy standards;
- If applicable, a detailed plan and timeline describing any innovative technology and/or compliance with Health Information Technology (HIT) Standards, such as the Healthcare Technology Information Panel Standards;
- A timeline of key activities and contracts required to be able to accept applications for enrollment and provide coverage;
- A detailed description of staffing needs and a timeline demonstrating how staffing will be added over time;
- The applicant's strategy for bearing risk, including the percent of risk it plans to bear and its plan to purchase reinsurance and/or share risk with providers (if applicable);

Wherever possible, these items should be included in the business plan expressed as milestones and linked to the funding schedule and pro forma financials.

7) <u>Governance and Licensure</u>

The applicant must submit its bylaws, which must contain provisions addressing the governance standards, finalized at 45 CFR § 156.515. The bylaws must describe:

- The applicant's plan for transforming the formation board of directors into the CO-OP's subsequent operational board of directors to ensure that the majority of the operational board members are CO-OP members and that all members of the operational board are elected by the membership of the CO-OP;
- The applicant's plan to include consumers and potential members in the development phase of the CO-OP;
- The nomination and election process for the operational board; and
- Conflict of interest safeguards for the operational board.

The applicant should also submit evidence in the initial application that it has engaged directly with its State regulators to ensure that it meets State requirements as quickly as practicable and adequately protects its members from disruptions in coverage or inability to pay providers.

8) Evidence of Nonprofit Status:

The applicant must submit a copy of the organization's official certificate of organization or similar document, e.g., articles of incorporation, showing the State or tribal seal that clearly establishes nonprofit status. An application for nonprofit status does not satisfy this requirement.

9) List of Relevant Statutory and Regulatory Citations Regarding State Licensure

The applicant must include a list of relevant statutory and regulatory citations governing State licensure as a health insurance issuer. In addition, applicants must provide guidance (certified by the States in which the loan recipient will offer CO-OP qualified health plans) on how CMS should structure the Solvency Loan in order to that ensure the loan amount is recognized as contributing to the State-determined reserve requirements or other solvency requirements (rather than debt) .

10) Eligibility Affidavit and Application Certification

An applicant must provide a sworn Eligibility Affidavit and Application Certification signed by the Chief Executive Officer (CEO), Chief Financial Officer (CFO), or an officer of the applicant's Board of Directors; the signatory must be legally authorized to bind the corporation. The Eligibility Affidavit and Application Certification must state that the applicant is eligible to apply for a Solvency Loan and, if applicable, a Start-up Loan and meets all eligibility criteria finalized at 45 CFR Part 156 subpart F.

The Eligibility Affidavit and Application Certification must also certify the accuracy, completeness, and truthfulness of any information contained in the loan application and any other materials submitted to CMS.

11) Affidavit(s) of Criminal and/or Civil Proceedings

All members of the applicant's Formation Board, as well as the applicant's Chief Executive Officer, if any, and the applicant's Chief Financial Officer, if any, must submit an Affidavit(s) of Criminal and/or

Civil Proceedings describing the involvement of the attesting individual as a party in any criminal or civil proceeding, or the individual's involvement in any process, including but not limited to administrative proceedings, relating to fraud or misuse of funds, or failure to pay for coverage where obligated. Absent such involvement, the attesting individual must submit an affidavit stating that he or she has never been a party to any such proceedings or processes.

12) Affidavit of Eligibility to Participate in Federal Programs

All members of the applicant's Formation Board, as well as the applicant's Chief Executive Officer, if any, and the applicant's Chief Financial Officer, if any, must submit an affidavit attesting that he or she has never been debarred from participating in a federal program and also agreeing to ensure that no employee, contractor, or agent of the applicant has ever been debarred from participating in a federal program.

Recommended Application Documents:

13) Letter of Intent: It is requested, but not required, that an applicant submit a Letter of Intent at the earliest possible date indicating the date in which the applicant intends to apply for joint Start-up and Solvency Loans, or a Solvency Loan. The purpose of the Letter of Intent is to enable CMS to estimate the number of applications and adequately prepare for application review. The Letter of Intent must be signed by the Chief Executive Officer (CEO), Chief Financial Officer (CFO), or an officer of the applicant's Board of Directors. The signed Letter of Intent must be submitted electronically in PDF format to CO-OP Project Officers Ilana Cohen at ilana.cohen@cms.hhs.gov or Anne Bollinger at anne.bollinger@cms.hhs.gov.

14) Evidence of Private Support

The applicant should include evidence of any committed funding, committed in-kind support, letters of intent from key stakeholders (e.g., provider groups) to participate in the CO-OP or its formation, or letters of support from key community leaders.

C. Submission Dates and Times

All loan applications must be submitted electronically and be received through http://www.grants.gov by 8:00 pm Eastern Time on October 17, 2011, and on the quarterly application due dates thereafter: January 3, 2012; April 2, 2012; July 2, 2012; October 1, 2012; and December 31, 2012.

D. Intergovernmental Review

Applications for these loans are not subject to review by States under Executive Order 12372, "Intergovernmental Review of Federal Programs" (45 CFR 100). Please check box "C" to item 19 of the SF 424 (Application for Federal Assistance) as Review by State Executive Order 12372 does not apply to these loans.

E. Eligible Costs

Eligible start-up costs include costs related to setting up a health insurance issuer. Such costs include but are not limited to renting space for issuer administrative operations, renting or developing

administrative and clinical information technology systems, renting or developing provider networks, hiring a management team with adequate insurance expertise and other administrative personnel, hiring counsel and consultants to assist with State licensure requirements, provider negotiations, and contracting with providers and vendors, hiring actuaries, conducting community and prospective member education and educating CO-OP members on the rights and responsibilities of member governance, developing strategic plans to build enrollment, and establishing and participating in a private purchasing council. Start-up Loans cannot be used to fund costs associated with construction of facilities, including clinical facilities, nor can Start-up Loans be used for clinical expenses, such as provider salaries or payments, provider clinical space or administrative staff associated with clinical functions, and clinical equipment. These items are intended to be covered by the premiums and reflected in the reimbursement to providers.

The costs of preparing the feasibility study and business plan required under sections IV.B.5 and IV.B.6 of this FOA to be submitted with the application will be considered eligible costs for Start-Up Loans up to a total amount of $100,000. Loans for these costs will only be provided to applicants who are awarded Start-Up Loans. For applicants approved to operate in more than one State, an additional $50,000 attributable to the cost of preparing feasibility studies and business plans per additional State in which the applicant is approved to operate will be considered eligible costs for Start-Up Loans for up to four additional States amounting to a maximum of $300,000.

F. Funding Restrictions

Use of CO-OP Program funds will be governed by the regulations finalized at 45 CFR part 156 subpart F. Funds lent under the Consumer Operated and Oriented Plan [CO-OP] Program may not be used for any of the following:

1. To carry on propaganda and other activities attempting to influence legislation at the Federal, State, or local level of government;
2. To conduct marketing. “Marketing” means activities that promote the purchase of a specific health care plan or explain a product’s benefit structure to a specific customer. “Marketing” does not include activities related to community outreach, membership development, and membership education. Loans provided under the CO-OP program may be used to provide information to members regarding their coverage, rights, and responsibilities;
3. To meet matching requirements of any other Federal program;
4. To cover excessive executive compensation;
5. To fund activities unrelated to CO-OP planning and establishment, including but not limited to staff retreats and promotional giveaways

V. APPLICATION REVIEW AND SELECTION INFORMATION

A. Criteria

CMS relied on the law, the CO-OP Final Rule, proposed rule for Exchanges on standards for qualified health plans, and the final report of the CO-OP Advisory Board to establish the review criteria for this FOA. The Advisory Board's final report is available at: http://cciio.cms.gov/resources/files/coop_faca_finalreport_04152011.pdf. For a discussion of the Advisory Board selection and process, see preamble to 45 CFR part 156, subpart F, displayed in the *Federal Register* on December 8, 2011 (Official Publication Date: December 13, 2011). The Final Rule is available at: http://www.ofr.gov/OFRUpload/OFRData/2011-31864_PI.pdf.

The review criteria for applications are based on a total of 100 points in the following areas:

1. Statutory Preferences (16 points)

The statutory preferences enacted in section 1322(b)(2)(A)(ii) of the Affordable Care Act will be given as follows:

a. Integrated Care (5 points)
   - Extent and reasonableness of applicant's plan to implement an integrated care model as defined above in Section IV.B.6B (discussion of business plan). Extent to which provider arrangements will encourage greater care integration, coordination, use of medical homes and/or accountable care organizations, quality, and/or; innovation in proposed reimbursement model and likelihood that the model will lead to improved, more efficient care than is available in the target market(s);

b. Offering COOP Qualified Health Plan on a Statewide Basis (6 points)
   - Degree to which applicant may be able to operate State-wide over time; and

c. Evidence of Private Support (5 points)
   - Extent of committed funding, committed in-kind support, letters of intent from key stakeholders (e.g., provider groups) to participate in the CO-OP or its formation, and/or letters of support from key community leaders.

2. Project Narrative (4 points)

The Project Narrative should demonstrate that the applicant:

- Is a well-organized entity with capable leadership and staff;
- Clearly understands, and demonstrates the capacity to comply with, the standards of the CO-OP program as outlined in this FOA, section 1322 of the Affordable Care Act, the CO-OP regulation finalized at 45 CFR part 156 subpart F, and other relevant Federal statutes, regulations, and guidance;
- Has specific knowledge of the provider and insurance markets in the areas in which it proposes to operate;

- Reasonably expects to positively affect the target market by offering consumers greater choice and control, care coordination, quality, efficiency, and more competitive pricing;
- The mission of the plan is consumer-focused;
- Will have an adequate provider network. The applicant should describe how it will define and assemble a provider network using ratios of providers to enrollees, geographic area served by professionals and institutions in its network, and other measures;
- Is capable of beginning start-up activities promptly, meeting all required timeframes, and doing so responsibly and in an organized manner;
- Will be able to repay its loans within the required timeframes; and
- Has substantive private support.

3. <u>Business Plan</u> (62 points total as indicated below)
The Business Plan will be evaluated based on the following items:

a. <u>Qualifications of Management Team and Key Personnel</u> (10 points)
   Extent to which proposed key program personnel, including proposed contractors, are qualified by training and/or experience to carry out the project;
   - Appropriateness of training and/or experience required of project staff;
   - Extent to which the applicant has identified all key roles necessary for successful CO-OP development and implementation; and
   - Extent to which the position descriptions clearly and adequately describe an organization capable of leading, managing, and implementing the project.

b. <u>Provider Arrangements, Target Market and Products</u> (8 points)
   Extent to which applicant has addressed criteria contained in section IV.B.6.B, including but not limited to:
   - Extent to which the applicant has reached out to providers for guidance or to discuss contracting;
   - Adequacy of proposed provider network and contracting services;
   - Reasonableness of timeline for obtaining provider services or building a provider network; and
   - Description of how providers will be reimbursed.

c. <u>Budget and Budget Narrative</u> (12 points)
   Extent to which applicant has addressed criteria contained in section IV.B.6.C, including but not limited to:
   - Reasonableness and cost-effectiveness of the proposed budget in relation to the objectives, the complexity of the activities, and the anticipated results; and
   - Reasonableness of the proposed schedule for Solvency Loan and Start-up Loan drawdown(s).

d. Enrollment Strategy, Enrollment Forecasts, and Regulatory Capital Projections (12 points)
Extent to which applicant has addressed criteria contained in section IV.B.6.D, including but not limited to:

- Evidence of thorough actuarial analysis in business plan and feasibility study;
- Extent to which the enrollment strategy is likely to achieve the target enrollment figures in accordance with its timeline;
- Evidence that the applicant clearly understands its target membership and the ways in which it can most effectively educate them about CO-OPs;
- Thoroughness and reasonableness of financial projections including enrollment, expenditures, income, and sensitivity testing for alternative enrollment scenarios and other changes in assumptions;
- Thoroughness and reasonableness of the description of milestones that will trigger and justify each drawdown of funds, tentative dates for these achievements, and the evidence to demonstrate that the conditions for drawdown have been satisfied;
- Probable accuracy of estimates of enrollment over the life of the loan and likelihood that enrollment will be sufficient to create a financially viable CO-OP;
- Reasonableness of anticipated capital needs over life of the loan;
- Strength of contingency plans (if any) for private and/or public funding sources;
- Commitment to pricing of premiums to ensure stable coverage; and
- Extent to which the business plan reflects a strategy to include a risk charge to fund additional reserve and solvency requirements based on expanding enrollment from revenues and reduce dependence on Solvency Loans as enrollment grows and premiums increase over time.

e. Loan Funding and Repayment Schedule (5 points)
Extent to which applicant has addressed criteria contained in section IV.B.6.E, including but not limited to:

- Likelihood that applicant will adhere to proposed repayment schedule for the joint Start-up and Solvency Loans or the Solvency Loan, and reasonableness of that schedule.

f. Pro Forma Financials (10 points)
Extent to which applicant has addressed criteria contained in section IV.B.6.F, including but not limited to:

- Strength of projections of the applicant's financial model over the life of the loan, including all revenues, costs, or other financial requirements;
- Reasonableness of key assumptions; and
- Strength of actuarial analysis and other supporting evidence.

g. Operations (5 points)

- Extent to which the applicant demonstrates that it is ready to begin activities promptly;
- Reasonableness and appropriateness of the applicant's risk bearing strategy;

- Reasonableness of the applicant's implementation plan and expected timeline for:
  - developing a provider network;
  - membership development;
  - implementing a financial management system;
  - initiating activities and contracts necessary to accept applications for enrollment and provide coverage;
  - hiring adequate and competent staff, both clinical and non-clinical;
  - implementing provider and member call centers;
  - establishing a process for resolving consumer inquiries and complaints;
  - implementing a process to monitor and improve quality of care for enrollees, including a process for analyzing administrative and clinical complaints to improve quality of care and operations;
- Extent to which the applicant will use information technology and other infrastructure that promotes coordination of care, enables evaluation of care outcomes, and provides for feedback to relevant management to improve care, responsiveness to consumers, and administrative efficiency;
- Extent to which the information technology systems and other infrastructure secure confidential information, including but not limited to personally identifiable information, and facilitate compliance with HIPAA privacy standards; and
- Extent to which the information technology systems and other infrastructure are secure, adaptable, scalable, and can add functionalities over time, for example, to: incorporate clinical data, handle enrollment growth, add business functions, and achieve meaningful use of Health Information Technology (HIT).

4. <u>Governance and Licensure</u> (10 points)

- Extent to which the applicant plans to include consumers in the development phase of the CO-OP and in the transition from the formation board to the operational board;
- Extent of communication and planning with State insurance regulators and progress towards licensure;
- Clarity and consumer-centeredness of the bylaws' nomination and election process for the operational board;
- Effectiveness of the bylaws' conflict of interest safeguards for the formation board and operational board;
- Extent to which the bylaws protect consumer governance over time and ensure that incentives to dilute consumer control are eliminated;
- Extent to which the applicant places the plan member at the center of all activities and creates opportunities for member engagement in addition to electing and/or serving on the operational board; and
- Thoroughness and reasonableness of the strategy and timeline for:
  - meeting the standards for a qualified health plan issuer; and

- achieving licensure as a health insurance issuer by the State insurance regulating entity.

5. <u>Feasibility Study</u> (8 points)

Extent to which applicant has addressed criteria contained in section IV.B.5, including but not limited to

- Thoroughness of the target market analysis and of the factors necessary for the prospective CO-OP's success; and
- Evidence of thorough actuarial analysis in business plan and feasibility study.

B. Review and Selection Process

As recommended by the Advisory Board, an objective review panel of qualified external experts with applicable knowledge and experience will review all eligible applications. CMS will make the award decision.[3]

The review process will include the following:

1. Applications will be screened to determine eligibility for further review using the criteria detailed in Section III, Eligibility Information, of this Funding Opportunity Announcement. Applications that fail to meet the eligibility standards as detailed in this Funding Opportunity Announcement or that do not include the required forms will not be reviewed. Applications received after an application due date will be subject to review after the application due dates for the next round of applications.
2. Procedures for assessing the technical merit of loan applications have been instituted to provide for an objective review of applications and to assist the applicant in understanding the standards against which each application will be judged. To assist CMS in reviewing applications and awarding loans, CCIIO has obtained the services of Deloitte LLC to provide, establish, and manage qualified expert, objective panels responsible for reviewing the applications received under the CO-OP program and providing recommendations to CMS staff on the reasonableness of the application; financial models and business plan; the applicant's ability to meet the regulatory standards and milestones for development; the likely long-term sustainability of the plan; and adherence to the health policy goal of consumer operation and orientation. For each application that is recommended to receive funding, the contractor will provide a recommended loan amount and a schedule of disbursements for each applicant based on the information provided in the application and supporting documentation. Specifically, the contractor(s) will be responsible for reviewing all aspects of each application for funding against standards in the Final Rule and the guidelines and metrics in this FOA.
3. The review criteria are used to evaluate and rank applications. Critical indicators have been developed for each review criterion to assist the applicant in presenting pertinent information related to that criterion and to provide the reviewer with a standard for evaluation. Review criteria, according to which all applications will be evaluated, are outlined above with specific detail and scoring points. Applicants should pay strict attention to addressing all review and selection criteria, as they are the basis upon which the reviewers will evaluate their applications.
4. After applications have been reviewed, applicants may be contacted by the external reviewers or by a CMS program official for an interview. This interview may be conducted in person, by telephone, or by videoconference, at the discretion of CMS. CMS may also request that an

[3] "External expert" means an expert who is not an employee of CMS or any other component of HHS and who is hired as a contractor specifically to review the loan applications.

applicant submit additional documentation to assist in evaluation of its application, including a background and credit check on the prospective management team.

5. Final award decisions will be made by CMS program officials. In making these decisions, the CMS program officials will take into consideration: recommendations of the external reviewers; reviews for programmatic compliance; the reasonableness of the size of the loan request and anticipated results of funding the application; ability to repay the loan, and the likelihood that the proposed project will result in the benefits expected. CMS reserves the right to conduct pre-award negotiations with potential loan recipients.

C. Reconsiderations

An applicant may request reconsideration of a loan application determination. To request reconsideration of an 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 further administrative review or appeal. Nothing in this section prohibits an applicant from submitting a new loan application at a later date.

VI. AWARD ADMINISTRATION INFORMATION

A. Award Notices

Successful applicants will receive a Notice of Conditional Award signed and dated by a CMS official, subject to execution of the Loan Agreement. The Notice of Conditional Award will be sent via electronic mail to the successful applicant. The Loan Agreement must be signed in person by the Chief Executive Officer of the applicant organization, or by an officer of the applicant organization's Board of Directors at a time and place designated by CMS. If the applicant is unable to have an appropriate officer or director available to execute the Loan Agreement in person, please contact CMS.

Any communication between CMS and applicants prior to issuance of the Notice of Conditional Award and the Loan Agreement is not an authorization to begin performance of a project. Unsuccessful applicants will be notified within 30 days of the final funding decision and will receive a disapproval letter via U.S. Postal Service or electronic mail.

B. Administrative and National Policy Requirements

The following standard requirements apply to applications and awards under this FOA:

1. All CO-OPs receiving awards under this funding opportunity must comply with all applicable Federal statutes relating to nondiscrimination including, but not limited to:
    a. Title VI of the Civil Rights Act of 1964;
    b. Section 504 of the Rehabilitation Act of 1973;
    c. The Age Discrimination Act of 1975; and
    d. Title II Subtitle A of the Americans with Disabilities Act of 1990.
2. All equipment, staff, other budgeted resources, and expenses must be used exclusively for the project identified in the applicant's original application or agreed upon subsequently with CMS and may not be used for any prohibited uses.

3. Consumers and other stakeholders must have meaningful input into the planning, implementation, and evaluation of the project. All loan budgets must include some funding to facilitate participation on the part of individuals who have a disability or long-term illness and their families. Appropriate budget justification to support the request for these funds must be included.

C. Terms and Conditions

Subaward Reporting and Executive Compensation: Awards issued under this FOA are subject to the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) of 2006 (Pub. L. 109-282), as amended by section 6202 of Public Law 110-252 and implemented by 2 CFR Part 170. Recipients must report information for each first-tier subaward of $25,000 or more in Federal funds and executive total compensation for the recipient's and subrecipient's five most highly compensated executives as outlined in Appendix A to 2 CFR Part 170. Information about the Federal Funding and Transparency Act Subaward Reporting System (FSRS) is available at http://www.fsrs.gov.

All prime recipients will be required to provide a DUNS number in order to be able to register in FSRS as a prime user. If your organization does not have a DUNS number, you will need to obtain one from Dun & Bradstreet. Call D&B at 866-705-5711 if you do not have a DUNS number. Once you have obtained a DUNS Number from D&B, you must then register with the Central Contracting Registration (CCR) at http://www.ccr.gov. Organizations must report executive compensation as part of the registration profile at http://www.ccr.gov by the end of the month following the month in which this award is made, and annually thereafter. After you have completed your CCR registration, you will be able to register in FSRS as a prime user.

Please Note: The implementation of subaward and executive compensation reporting for Federal Financial assistance issued as loans in the FSRS system has been deferred to a later date. Loan recipients will be notified when reporting requirements under FFATA described in this subsection C become applicable.

D. Reporting

1. Overview

CMS will monitor and assess the performance of loan recipients in meeting the terms and parameters of the Loan Agreement. Each loan recipient must conform to the standards and responsibilities established in it application, including the business plan and contractual obligations as specified in the Loan Agreement, for 10 years following the life of the loan.

In addition, CMS will monitor the loan recipient's use of loan amounts awarded to ensure that the loan recipient uses Federal funds in a manner consistent with section 1322 of the Affordable Care Act, the provisions of 45 CFR part 156 subpart F, this FOA, and the recipient's loan agreement. CMS will also monitor the loan recipient's:

- Financial management;
- Responsiveness to member grievances;
- Maintenance of consumer control; and
- Quality of care.

In monitoring the loan recipient, CMS may use a combination of the methods described below, as appropriate. CMS may institute any and all applicable corrective actions plans (CAPs) or sanctions specified in the Loan Agreement, up to and including termination, if it determines that a loan recipient is utilizing Federal funds for prohibited activities.

The loan recipient will be re-evaluated during and after the CAP implementation period to determine if the loan recipient has continued to use Federal funds for prohibited activities.

CMS may prohibit the drawdown of any loan amounts if CMS determines that the loan recipient has continued to use Federal funds for activities prohibited by section 1322 of the Affordable Care Act, provisions in 45 CFR part 156, subpart F, this FOA, or its loan agreement, during or after the CAP.

CMS may use a range of methods to monitor and assess the performance of loan recipients including but not limited to any of the following:

1. Analysis of specific financial data required by the Loan Agreement and provided by the loan recipient, including aggregated annual and quarterly reports;
2. Site visits;
3. Analysis of member and/or provider complaints; and
4. Audits.

Enhanced oversight plan

CMS may place a loan recipient on an enhanced oversight plan if the loan recipient underperforms or has difficulty meeting program milestones identified in its Loan Agreement, and these problems are chronic or significant. Under an enhanced oversight plan, CMS conducts stronger and more frequent review of the loan recipient's operations and financial status. CMS may require the loan recipient to develop and implement a CAP. In addition, CMS may provide technical assistance if CMS determines that doing so would improve the performance of the loan recipient and increase the likelihood of loan repayment.

Data submission

To support CMS' monitoring efforts, the loan recipient must submit within the timeframes established by CMS in the FOA, Loan Agreement, and other guidance, financial reports, enrollment data, quality data, governance and election information, annual independently audited financial statements in accordance with any State financial reporting requirements, the employment contracts of the senior management of the CO-OP including the Chief Executive Officer, the Chief Operating Office, the Chief Financial Officer, and the senior Executive Vice-President and other data required by CMS to monitor the performance of the loan recipient.

2. Reporting Submissions

Recipients of joint Start-up and Solvency Loans or only Solvency Loans will submit the reports listed in this subsection until the end of the repayment period. For 10 years following the date of the final loan repayment, a loan recipient will submit certain elements of the semi-annual progress report annually. The duration of the repayment period, and therefore the duration of the reporting period, will be specific to each loan recipient, depending on how long the loan recipient takes to repay its loans.

All successful applicants under this announcement must comply with the following reporting and review activities:

a. Quarterly Federal Financial Report (FFR)

Each loan recipient must submit a quarterly electronic SF 425 according to instructions provided in the Loan Agreement. The report identifies cash transactions and expenditures against the authorized funds for the loan. Failure to submit the report may result in the inability to access loan funds.

Additional information on financial reporting requirements will be provided in the Loan Agreement.

Please note: The financial reporting requirements demonstrating repayment may differ from the current SF 425. In the event of any modification to the reporting requirements, the loan recipient will be given ample notice and opportunity to comply.

b. Quarterly Financial Report

In addition to submitting the SF 425, each loan recipient must submit a quarterly financial report including information such as, but not limited to:

- A statement that the loan recipient is in compliance with all relevant State licensure requirements appropriate for its stage of development or an explanation of any deficiencies and steps being taken to resolve them; and
- Financial statements including balances sheets, income statements, and statements of cash flow.

c. Semi-annual Progress Report

Loan recipients must provide the Program Officer information such as, but not limited to:

- Progress on the goals, objectives, milestones, and activities identified in its Business Plan and the Loan Agreement;
- Accomplishments, barriers, and lessons learned;
- Data on the loan recipient's responsiveness to member grievance, maintenance of consumer control, and quality of care once enrollment begins;
- Updated financial projections and pro forma;
- An updated Business Plan including supporting actuarial analyses; and
- One of the semi-annual reports must include an independently audited financial annual report.

CMS reserves the right to restrict funds for activities related to milestones not met. More details of the report will be outlined in the Loan Agreement, and loan recipients will be provided with a reporting template.

d. Corrective Action Plan (CAP)

If CMS concludes that a loan recipient has not complied with the requirements in 45 CFR part 156 subpart F or its Loan Agreement, CMS may require the loan recipient, via a notice of violation, to submit a CAP and implement the CAP as approved by CMS.

1. The loan recipient must submit, for CMS approval, a CAP by the deadline indicated on the notice of violation.
2. The CAP must specify the actions that the loan recipient will take to ensure that the loan recipient, its members, its providers and suppliers, and contracted entities performing services or functions on behalf of the loan recipient, will correct any deficiencies and remain in compliance with program requirements.
3. CMS will monitor the loan recipient's performance during the CAP process.
4. Failure to submit, obtain approval for, or implement a CAP may result in termination of the Loan Agreement, as may failure to demonstrate improved performance upon completion of the CAP.

e. Enhanced Oversight Plan

CMS may place a loan recipient in an enhanced oversight plan if the loan recipient consistently underperforms or repeatedly has difficulty in meeting program milestones and benchmarks, as identified in its Loan Agreement. Under an enhanced oversight plan, CMS will conduct more detailed 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 (CAP). In addition, CMS may provide technical assistance if CMS determines that doing so will improve the performance of the loan recipient and increase the likelihood of loan repayment.

f. Transparency Act Reporting Requirements

New awards issued under this funding opportunity announcement are subject to the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) of 2006 (Pub. L. 109–282), as amended by section 6202 of Public Law 110–252 and implemented by 2 CFR Part 170. Recipients must report information for each first-tier sub award of $25,000 or more in Federal funds and executive total compensation for the recipient's and sub recipient's five most highly compensated executives as outlined in Appendix A to 2 CFR Part 170 (available online at www.fsrs.gov).

Please Note: The implementation of subaward and executive compensation reporting for Federal Financial assistance issued as loans in the FSRS system has been deferred to a later date. Loan recipients will be notified when reporting requirements under FFATA described in this subsection D become applicable.

g. Audit Requirements

Recipients must comply with audit requirements of the Office of the Management and Budget (OMB) Circular A-133. Information on the scope, frequency, and other aspects of the audits can be found on the Internet at http://www.whitehouse.gov/omb/circulars.

The loan recipient must agree, and must require its providers, suppliers, and contracted entities performing services or functions on behalf of the loan recipient to agree, that HHS, the Comptroller General, the OIG or their designees have the right to audit, inspect, evaluate, examine, and make excerpts, transcripts, and copies of any books, records, documents, and

other evidence of the loan recipient, and its members, providers and suppliers, and contracted entities related to their scope of work that pertain to—

1. The loan recipient's compliance with program requirements; and
2. The ability of the loan recipient to repay loan funds to CMS.

CMS may conduct onsite performance reviews and site visits. The timing of any performance review and any site visit is at the discretion of CMS.

h. Maintenance of records

An applicant will meet the standards for records contained in this FOA and its Loan Agreement. A loan recipient must agree, and must require its providers, suppliers, and contracted entities performing functions or services on behalf of the loan recipient to agree to the following:

1. To maintain and give HHS, the Comptroller General, OIG, or their designees access to all books, contracts, records, documents, and other evidence sufficient to enable the audit, evaluation, and inspection of the loan recipient's compliance with program requirements;
2. To maintain such books, contracts, records, documents, and other evidence for a period of 10 years from the final date of the repayment period or from the date of completion of any audit, evaluation, or inspections, whichever is later, unless –
    a. CMS determines there is a special need to retain a particular record or group of records for a longer period and notifies the loan recipient at least 30 days before the normal disposition date;
    b. There has been a termination, dispute, or allegation of fraud or similar fault committed by the loan recipient, its providers, suppliers, or contracted entities that perform functions or services on its behalf, in which case the loan recipient must retain records for an additional 6 years from the date of any resulting final resolution of the termination, dispute, or allegation of fraud or similar fault;
    c. There is a reasonable possibility of fraud or similar fault by the loan recipient or its members, providers and suppliers, or contracted entities performing services or functions on behalf of the loan recipient, in which case CMS may inspect, evaluate, and audit the loan recipient at any time while the loan funds are in repayment; and
3. Notwithstanding any arrangements between or among a loan recipient and its members, providers and suppliers, and contracted entities performing functions or services on its behalf, the loan recipient must have ultimate responsibility for adhering to and otherwise fully complying with all terms and conditions of its Loan Agreement with CMS, and all requirements of this FOA.

E. Technical Assistance

Technical assistance and support will be provided to organizations that apply for or are awarded a loan as available and deemed appropriate by CMS.

VII. AGENCY CONTACTS

Programmatic Contact

Questions about the CO-OP Program and this FOA can be directed to:

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Appendix A:
Start-up Loan and Solvency Loan Application Check List

This appendix serves as an organizational tool to assist the applicant in preparing the application package. The applicant should refer to Section IV of this FOA to determine what content and attachments are required for each item below.

Recommended Contents

- ☐ Letter of Intent (submit prior to official application)
- ☐ Evidence of Private Support

Required Contents

- ☐ Standard Forms (Grants.gov) (with an electronic signature)
  - ☐ SF 424: Official Application for Federal Assistance
  - ☐ SF-424A: Budget Information
  - ☐ SF-424B: Assurances-Non-Construction Programs
  - ☐ SF-LLL: Disclosure of Lobbying Activities
  - ☐ Project Site Location Form(s)
  - ☐ Lobbying Certification Form (HHS checklist, 5161)
- ☐ Application Cover Letter
- ☐ Application Abstract
- ☐ Project Narrative
- ☐ Feasibility Study
- ☐ Business Plan, including the following attachments and sections
  - ☐ Management Team and Key Personnel (including resumes)
  - ☐ Provider Arrangements, Target Market and Products
  - ☐ Budget and Budget Narrative
  - ☐ Enrollment Strategy, Enrollment Forecast, and Regulatory Capital Projections
  - ☐ Loan Funding and Repayment Schedule
  - ☐ Pro Forma Financials
  - ☐ Operations
- ☐ Governance and Licensure
- ☐ Evidence of Nonprofit Status

- ☐ Relevant Statutory and Regulatory Citations Regarding State Licensure
- ☐ Eligibility Affidavit and Application Certification
- ☐ Affidavit(s) of Criminal and/or Civil Proceedings
- ☐ Affidavit of Eligibility to Participate in Federal Programs

Appendix B:
Preparing a Budget and Budget Narrative in Response to SF424A

Example

Introduction

This guidance is offered for the preparation of a budget request. This guidance will facilitate the review and approval of a requested budget by insuring that the required or needed information is provided. This is to be for done for each 12 month period. Applicants should be careful to only request funding for activities that will be funded by the Consumer Operated and Oriented Plan [CO-OP] Program**.** Any other funding provided by CMS should not be supplanted by the CO-OP Program. In the budget request, applicants should distinguish between activities that will be funded under this FOA and activities funded with other sources and must identify areas of private support. Please refer to Section IV of this FOA for more information on the Budget and Budget Narrative.

A. Salaries and Wages

For each requested position, provide the following information: name of staff member occupying the position, if available; annual salary; percentage of time budgeted for this program; total months of salary budgeted; and total salary requested. Also, provide a justification and describe the scope of responsibility for each position, relating it to the accomplishment of program objectives.

Sample Budget

Personnel

Total $_____

CO-OP Program Start-up Loan $_____

Funding other than CO-OP Program Start-up Loan $_____

Sources of Funding_____

Position Title and Name	***Annual***	***Time***	***Months***	***Amount Requested***
Project Coordinator Susan Taylor	*$45,000*	*100%*	*12 months*	*$45,000*
Finance Administrator John Johnson	*$28,500*	*50%*	*12 months*	*$14,250*
Outreach Supervisor (Vacant)*	*$27,000*	*100%*	*12 months*	*$27,000*

Sample Justification

The format may vary, but the description of responsibilities should be directly related to specific program objectives.

Job Description: Project Coordinator - (Name)

This position directs the overall operation of the project; responsible for overseeing the implementation of project activities, coordination with other agencies, development of materials, provisions of in service and training, conducting meetings; designs and directs the gathering, tabulating and interpreting of required data, responsible for overall program evaluation and for staff performance evaluation; and is the responsible authority for ensuring necessary reports/documentation are submitted to HHS. This position relates to all program objectives.

B. Fringe Benefits

Fringe benefits are usually applicable to direct salaries and wages. Provide information on the rate of fringe benefits used and the basis for their calculation. If a fringe benefit rate is not used, itemize how the fringe benefit amount is computed.

Sample Budget

Fringe Benefit

Total $_____

CO-OP Program Start-up Loan $_____

Funding other than CO-OP Program Start-up Loan $_____

Sources of Funding_____

25% of Total salaries = Fringe Benefits

If fringe benefits are not computed by using a percentage of salaries, itemize how the amount is determined.

Example: Project Coordinator — Salary		*$45,000*
Retirement 5% of $45,000	*=*	*$2,250*
FICA 7.65% of $45,000	*=*	*3,443*
Insurance	*=*	*2,000*
Workers' Compensation	*=*	_____
	Total:	

C. Consultant Costs

This category is appropriate when hiring an individual to give professional advice or services (e.g., training, expert consultant, etc.) for a fee but not as an employee of the loan recipient. Hiring a consultant requires submission of the following information to HHS **(see Required Reporting Information for Consultant Hiring later in this Appendix)**:

1. Name of Consultant;
2. Organizational Affiliation (if applicable);
3. Nature of Services to be Rendered;
4. Relevance of Service to the Project;
5. The Number of Days of Consultation (basis for fee); and
6. The Expected Rate of Compensation (travel, per diem, other related expenses)—list a subtotal for each consultant in this category.

If the above information is unknown for any consultant at the time the application is submitted, the information may be submitted at a later date as a revision to the budget. In the body of the budget request, a summary should be provided of the proposed consultants and amounts for each.

D. Equipment

Provide justification for the use of each item and relate it to specific program objectives. Maintenance or rental fees for equipment should be shown in the "Other" category. All IT equipment should be uniquely identified. As an example, we should not see a single line item for "software". Show the unit cost of each item, number needed, and total amount.

Sample Budget

Equipment

Total $_____

CO-OP Program Start-up Loan $_____

Funding other than CO-OP Program Start-up Loan $_____

Sources of Funding_____

Item Requested	*How Many*	*Unit Cost*	*Amount*
Computer Workstation	*2 ea.*	*$2,500*	*$5,000*
Fax Machine	*1 ea.*	*600*	*600*
		Total	*$5,600*

Sample Justification

Provide complete justification for all requested equipment, including a description of how it will be used in the program. For equipment and tools which are shared among programs, please cost allocate as appropriate. Applicants should provide a list of hardware, software and IT equipment which will be required to complete this effort. Additionally, they should provide a list of non-IT equipment which will be required to complete this effort.

E. Supplies

Individually list each item requested. Show the unit cost of each item, number needed, and total amount. Provide justification for each item and relate it to specific program objectives. If appropriate, General Office Supplies may be shown by an estimated amount per month times the number of months in the budget category.

Sample Budget

Supplies

Total $_____

CO-OP Program Start-up Loan $_____

Funding other than CO-OP Program Start-up Loan $_____

Sources of Funding_____

General office supplies (pens, pencils, paper, etc.)		
12 months x $240/year x 10 staff	=	$2,400
Educational Pamphlets (3,000 copies @) $1 each)	=	$3,000
Educational Videos (10 copies @ $150 each)	=	$1,500
Word Processing Software (@ $400—specify type)	=	$ 400

Sample Justification

General office supplies will be used by staff members to carry out daily activities of the program. The education pamphlets and videos will be purchased from XXX and used to illustrate and

promote safe and healthy activities. Word Processing Software will be used to document program activities, process progress reports, etc.

F. Travel

Dollars requested in the travel category should be for **staff travel only**. Travel for consultants should be shown in the consultant category. Travel for other participants, advisory committees, external reviewers, etc. should be itemized in the same way specified below and placed in the **"Other"** category.

In-State Travel—Provide a narrative justification describing the travel staff members will perform. List where travel will be undertaken, number of trips planned, who will be making the trip, and approximate dates. If mileage is to be paid, provide the number of miles and the cost per mile. If travel is by air, provide the estimated cost of airfare. If per diem/lodging is to be paid, indicate the number of days and amount of daily per diem as well as the number of nights and estimated cost of lodging. Include the cost of ground transportation when applicable.

Out-of-State Travel—Provide a narrative justification describing the same information requested above. Include CMS meetings, conferences, and workshops, if required by CMS. Itemize out-of-state travel in the format described above.

Sample Budget

Travel (in-State and out-of-State)

Total $_____

CO-OP Program Start-up Loan $_____

Funding other than CO-OP Program Start-up Loan $_____

Sources of Funding_____

In-State Travel:		
1 trip x 2 people x 500 miles r/t x .27/mile	*=*	*$ 270*
2 days per diem x $37/day x 2 people	*=*	*148*
1 nights lodging x $67/night x 2 people	*=*	*134*
25 trips x 1 person x 300 miles avg. x .27/mile	*=*	*2,025*
		_____
Total		*$ 2,577*

Sample Justification

The Project Coordinator and the Outreach Supervisor will travel to (location) to attend an eligibility conference. The Project Coordinator will make an estimated 25 trips to local outreach sites to monitor program implementation.

Sample Budget

Out-of-State Travel:

1 trip x 1 person x $500 r/t airfare	*=*	*$500*
3 days per diem x $45/day x 1 person	*=*	*135*
1 night's lodging x $88/night x 1 person	*=*	*88*
Ground transportation 1 person	*=*	*50*
		_____
Total		*$773*

Sample Justification

The Project Coordinator will travel to CMS, in Baltimore, MD, to attend the CMS Conference.

G. Other

This category contains items not included in the previous budget categories. Individually list each item requested and provide appropriate justification related to the program objectives.

Sample Budget

Other

Total $_____

CO-OP Program Start-up Loan $_____

Funding other than CO-OP Program Start-up Loan $_____

Sources of Funding_____

Telephone

($ per month x months x #staff) = $ Subtotal

Postage

($ per month x months x #staff) = $ Subtotal

Printing

($ per x documents) = $ Subtotal

Equipment Rental (describe)

($ per month x months) = $ Subtotal

Internet Provider Service

($___ per month x ___ months) = $ Subtotal

Sample Justification

Some items are self-explanatory (telephone, postage, rent) unless the unit rate or total amount requested is excessive. If not, include additional justification. For printing costs, identify the types and number of copies of documents to be printed (e.g., procedure manuals, annual reports, materials for media campaign).

H. Contractual Costs

CO-OP Loan recipients must submit to CMS the required information establishing a third-party contract to perform program activities **(see Required Information for Contract Approval later in this Appendix)**.

1. Name of Contractor;
2. Method of Selection;
3. Period of Performance;
4. Scope of Work;
5. Method of Accountability; and
6. Itemized Budget and Justification.

If the above information is unknown for any contractor at the time the application is submitted, the information may be submitted at a later date as a revision to the budget. Copies of the actual contracts should not be sent to CMS, unless specifically requested. In the body of the budget request, a summary should be provided of the proposed contracts and amounts for each.

I. Total Direct Costs $_____

Show total direct costs by listing totals of each category.

J. Indirect Costs $_____

To claim indirect costs, the applicant organization must have a current approved indirect cost rate agreement established with the cognizant Federal agency. A copy of the most recent indirect cost rate agreement must be provided with the application.

Sample Budget

The rate is _____% and is computed on the following direct cost base of $_____

Personnel		*$*
Fringe		*$*
Travel		*$*
Supplies		*$*
Other		*$_____*
Total	*$*	*x ___% = Total Indirect Costs*

If the applicant organization does not have an approved indirect cost rate agreement, costs normally identified as indirect costs (overhead costs) can be budgeted and identified as direct costs.