



H.R. 954: CO-OP Consumer Protection Act of 2016 (Smith, R-NE)

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FLOOR SCHEDULE:

Scheduled for consideration September 27, 2016 under a [closed rule](#) that provides for one hour of debate.

TOPLINE SUMMARY:

[H.R. 954](#) would exempt certain individuals who received health insurance from a Consumer Operated and Oriented Plan (CO-OP) from the individual mandate, and its penalties, if their coverage under these plans was terminated.

COST:

The [Joint Committee on Taxation](#) (JCT) estimates that the legislation would reduce revenues by \$4 million over the 2016-2026 period. JCT also estimates that H.R. 954 would reduce direct spending by less than \$500,000 over the 2016-2026 period, reflecting very small changes in subsidies for insurance purchased through health insurance marketplaces established by the Affordable Care Act. JCT therefore estimates that the legislation would increase federal budget deficits by \$4 million over the 2016-2026 period.

JCT and [CBO](#) estimate that enacting the bill would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2027, and would increase on-budget deficits over those periods by very small amounts.

CONSERVATIVE CONCERNS:

- **Expand the Size and Scope of the Federal Government?** No.
- **Encroach into State or Local Authority?** No.
- **Delegate Any Legislative Authority to the Executive Branch?** No.
- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

DETAILED SUMMARY AND ANALYSIS:

Consumer Operated and Oriented Plans (CO-OP) were included in the Affordable Care Act as an alternative to a public option. These were non-profit, member-run plans that were intended to increase competition in the private insurance industry. Administered by the Centers for Medicare and Medicaid Services (CMS), these CO-OP plans were awarded federal loans to assist with start-up costs and to meet state solvency standards to remain a licensed insurer. As of July 2016, \$2.4 billion has been awarded to 23 CO-OPs. Unfortunately, CO-OPs have been problematic and a financial drain since the start. The Inspector General at the Department of Health and Human Services (HHS) [found](#) these plans were not financially viable, and more than half had net losses of at least \$15 million over a one year period. As of mid-September, only six

of the original 23 CO-OPs remain in operation and the remaining six suffered financial losses last year. Due to the collapse of these plans, an estimated 800,000 people have lost their insurance coverage and been forced to choose new insurers.

This bill would allow individuals who had a CO-OP plan terminate mid-year to be exempt from the individual mandate, and its associated penalties, for the remainder of the year. This exemption would be retroactive to January 1, 2014.

COMMITTEE ACTION:

This bill was introduced by Representative Smith and was referred to the House Committee on Ways and Means. The bill was ordered to be reported out, as amended, on September 22, 2016.

Read the committee report [here](#).

ADMINISTRATION POSITION:

The Administration strongly opposes House passage of H.R. 954. If the President were presented with H.R. 954, he would veto the bill.

CONSTITUTIONAL AUTHORITY:

According to the sponsor, Congress has the power to enact this legislation pursuant to the following: Article I, Section 8, Clause 1.

