

Second Open Information Teleconference for Applicants of the
Consumer Operated and Oriented Plans (CO-OP) Program
Funding Opportunity Announcement
CFDA#: 93.545

Transcript- September 7, 2011

Coordinator: Welcome and thank you for standing by. At this time all participants are in a listen-only mode. There will be opportunities to ask questions during today's call. To ask a question at that time please press star then 1. I'll now turn the meeting over to Ms. Barbara Smith, Associate Director of the CO-OP Program. Ms. Smith, you may begin.

Barbara Smith: Thank you, Operator. I appreciate your help. I'd like to first of all welcome all of you to the second bidder's conference on the CO-OP Program. We're very glad that you were able to join.

We're going to start out - and as we did in the last format with a little bit of a discussion of some of the most common themes and the questions that have been coming in and maybe that presentation will help you answer some of your questions. And then we will, of course, open it up to your questions individually after we have given kind of an overview of some of the important themes and the discussion.

First I'm going to start out by introducing the team that's here today. We have Anne Bollinger, Megan Elrington, Reed Cleary, Jamie Atwood, and Gabriel Nah and they will all be available to answer your questions as they arrive.

I'd also like to remind everybody that it's very important if you are planning to apply to register on Grants.gov. This way you'll be assured of receiving the - you know, all important updates related to the Funding Opportunity

Announcement. And I'm going to turn this over to Jamie Atwood for just a minute so she can explain to you how to do that if you've not already done it.

Jamie Atwood: If - when you're going into Grants.gov, which is where you'll be accessing the Funding Opportunity Announcement if you haven't already, in there there's actually a checkbox that you can select if you want to receive notifications or updates related to this Funding Opportunity Announcement.

So if there was an amendment that came out or something that's a change even to the synopsis on the Grants.gov page, that's where you would select. And then anytime there is a change you would be notified via email.

So you want to make sure that you're going in and it's right by the funding opportunity announcement so it's actually geared to each individual one and that you're selecting that box so that you can actually receive any future notifications.

Barbara Smith: Great, thanks, (Jamie). The other thing that I would just emphasize, and at the risk of stating the obvious, is the importance of reading the Funding Opportunity Announcement in detail, every line, every page, to be sure that you understand all aspects of the program and what you'll be required to do and how they relate to each other.

And of course, it's very important to read the instructions associated with the standard forms very carefully so that you can fill out those forms correctly and will understand what to do.

With respect to some of these sort of overarching questions that we've received, many of them have been in the area of multi State applications, CO-OPs operating in multiple states and questions around multiple CO-OPs in a

single state. So we're going to try and address some of those up front. First of all, if you are planning to apply or to operate in multiple states I think the issue is - one of the questions is can the \$100,000 be available for each separate state.

And I think that right now submitting multiple applications for multiple states depends on the management team and governance of the CO-OP. So for example, if you were actually setting up completely separate independent CO-OPs in different States then those would be considered separate CO-OPs and not one multi State CO-OP.

That would mean that each CO-OP would have a separate management team, a separate governance structure, that they would be independent more or less of each other, other than through a purchasing council for example.

If, on the other hand, you are planning to have a single or consolidated management structure that you may have separate governance boards but then a consolidated governance board and that basically one management structure is controlling and administering the CO-OPs in the different States then that should be under one application.

It's very important as part of the application review process for us to be able to evaluate whether the management team is adequate to the scope of the enterprise.

Secondly, we've had questions regarding whether or not we will hold applications until all of the expected applications for that state are received and the answer to that is no.

As stated in the Funding Opportunity Announcement, applicants can expect to receive the notification of award within 75 days of notification of their application is complete. Each application will be evaluated on its own merit. I would like to point out, however, and this is an important thing to keep in mind, that the statute is very clear in permitting multiple COOPs to operate in a single state.

And we have made that clear in the Funding Opportunity Announcement as well. So, you know, if two strong applications come in, in the same state the fact that there has already been one funded does not preclude the second one from being funded.

So I think that, you know, we want to encourage applicants to develop as strong as an application as they are capable of developing and to apply and not assume that another application in the same State will preclude a subsequent application from being funded.

Barbara Smith: Thirdly, we've had questions about whether we will be releasing the letters of intent and the answer to that is no. These are, you know - this is a competitive process and we do not anticipate affirmatively releasing letters of intent.

We've also had some questions regarding budgets and whether you want the budget narrative presented year by year or in a consolidated fashion. I think that the FOA makes clear that we want the budget narrative to reflect a consolidated process.

In other words, it has to reflect both your start-up requests as well as your solvency requests, and it needs to reflect it for the total period of the loan - of the life of the loan.

Now in terms of annual budgets let me just say that it is our assumption that in the process of preparing your consolidating budgets that you're going to need as part of your sort of homework, your back work on the project, to prepare your budgets on an annual basis to map out what your start-up needs are, what your solvency needs are, and to indicate how much you will need and under what circumstances, what your drawdown schedule is.

All of this needs to be part of your budget preparation but we are not looking specifically for, you know, each annual budget. And there are a lot of questions that arose around the 424 and later on in the process I think that (Jamie) will talk more about the process associated with filing your standard Form 424.

All right, and then - I'm just looking through my notes here to see if there are other important questions that were sort of overarching. The question has arisen as to whether COOPs can offer products prior to 2014.

The statute says very clearly and the FOA also states that CO-OPs can only enter the market when all of the market reforms, meaning guaranteed issue and the modified community rating, are in place in that market. So once a state has their insurance reforms in place then CO-OPs are free to compete on that basis along with every other insurer who competes on that basis, but not prior to that time.

Then another question was can an organization partner with an existing health insurance issuer to sponsor a CO-OP. And the answer to that as stated in the statute and repeated in our notice of proposed rule making and in the Funding Opportunity Announcement is that an existing issuer, a licensed issuer under

state law, cannot participate in sponsoring a CO-OP if that entity was a licensed issuer prior to July 16, 2009.

And obviously the purpose of the program is to bring new entrants into the insurance market so existing issuers sponsoring CO-OPs would not be consistent with that objective.

Third party administrators on the other hand who are not licensed issuers can sponsor CO-OPs along with all other types of entities other than a government instrumentality.

We've had some questions regarding tax exemption at the state level and I think there is some confusion that it would be important to clarify here. The notice of proposed rule making and the FOA indicate that eligible entities must be non-profit, not for profit, public interest, public benefit entities. Contrary to common understanding, a non-profit entity is not necessarily tax exempt.

There are non-profit entities that are not tax exempt. So it's not required that you show evidence of tax exemption. You just must be organized appropriately under state law however state law recognizes not for profit, non-profit, public purpose entities.

CO-OP - applicants that are successful have the option of seeking tax-exempt status under a C29 provision that the Affordable Care Act provided for in Section 1322. So I hope that - there seems to be a lot of confusion around there. I hope that that clarifies it.

We've had questions regarding information on management in terms of their involvement in civil or criminal process or any proceedings. This includes past and present proceedings.

Let's see, the other thing that I would just - and I'm going to turn the remainder of this over to (Jamie Atwood) to talk about some questions that have arisen around standard Form 424A. But before I do that I would just like to remind everybody that the comments on the notice of proposed rule making are due on September 16.

We do appreciate receiving your feedback. Feedback from the public does substantially inform the direction of rule making and the content of the rules. And I would also just point out that, while we're not looking for pats on the back, it does help us to know those things which you like in the proposed rule as well as those things that you don't like because that way we know what the considerations are in retaining certain provisions and not just revising certain provisions.

So it's very important that when you're filing comments to let us know those things that you think are well thought out and appropriate in the proposed rules as well as those things that need changing. And again, September 16 is when those comments are due. And there is not flexibility on that deadline.

And then I'm going to ask (Jamie) to address some of the questions that have arisen around standard Form 424

(Jamie Atwood): Okay, my colleague (Gabriel) might jump in here as well if he has anything to add. Okay, so I want to make sure that you all are aware that there are instructions for the SF 424 and that reading through those probably would have answered many of the questions that you guys have already raised. So

make sure you kind of go back through those and look at it and see if your question is answered there.

The first question, is asking about the legal name which is 8A. If you look in the instructions it's basically telling you to answer the legal name of the applicant that will be applying for this, that's what should go there, not the name of this program. It's the legal name of the applicant because that's how we're going to be making the award.

It will be to the legal entity applying. And again, in the instructions it says enter the legal name of applicant that will undertake the assistance activity. This is the name the organization has registered with the Central Contractor Registry and you have to register with that in order to apply through Grants.gov for this funding opportunity.

Okay, let's see here. As Barbara mentioned, on the applicant type you're in a non-profit status so you want to look for that type of option to select. I think that's #9. Let's see here, 16, if you look in the directions, again, it tells you - 16A is basically the applicants' congressional district and 16B is where you - the project will be affecting.

So any district going to be affected by this project, that's where you list all those districts in B. You can list more than one. And the instructions tell you how those should be listed. So A will be Congressional district of where the legal entity is located. And B will be all the districts that will be affected by this project, that's what you would include there.

Barbara Smith: So any place in which a CO-OP is planning to operate so if you're in a multi State CO-OP you need to - or you are operating through multiple

Congressional districts you need to list all of the Congressional districts in which you will be operating or in which you will have a CO-OP operating.

(Jamie Atwood): And you want to follow the directions very closely because you can see that it kind of breaks it down by state. So as Barbara mentioned, if you're targeting multiple states we definitely need the abbreviations in there so they know that you're targeting, you know, maybe California and Nevada or something like that. So you want to make sure you're breaking those out.

Okay, the proposed project, the start date and end date is basically when you get your award and when the project ends. So when you're getting your loan agreement and then the notice of award in there it will list your start date for the program and end date.

Right now because you're applying it's going to be approximate but in the actual application package I think they kind of put something in there about 75 days after the application is complete. So at this point in time if you're applying, let's say, by October 17 your proposed start date would be approximately 75-90 days after that. - I guess a little bit more than that. I mean do you want to do, like, 90 days, Barbara? Because basically you guys are going to give them notification it's complete and then 75 days after that is when they're going to start.

So I don't know they want to do, like, 90 days approximately after they've submitted their thing that that would be the start date of their project? We're not going to hold them to that, they're not going to get in trouble but they have to put something in there, the SDs, like it forces them to fill in the blank.

So probably maybe 90 days after each end date that you apply. So if you apply by December 31 then 90 days after that you'll have your start date, something

like that to kind of, you know, plan how long you guys are going to take for that.

But again, that's not going to hold you to anything so just know, you know, that's just the kind of start date and end date. But usually if the FOA says it's October 15 and that's the date that you would put then you would put the end date here.

All right, so the answer - somebody had asked the question, should the amount shown in 18G on Form SF 424 be the same amount as shown in SF 424A which is your budget form in Section A Column G Line 5. The answer is yes.

So basically you want to make sure that those two match because the total amount you're listing - that you're requesting for funding in the SF 424 should be the same amount that you're putting in the total on your budget form, the 424. So they should match across the board.

Barbara Smith: Bear with us just a minute, we're just going through to make sure that we've covered all your questions.

(Jamie Atwood): (Unintelligible).

Barbara Smith: Bear with us one second.

(Jamie Atwood): Sorry, somebody had raised the question if whether or not Line 1 Column C, and this is on the SF 424, should include totals for the first funding period only and the answer to that is no.

As Barbara mentioned before, we're looking for an entire budget for the entire project period and that should be on the 424 as well as the budget narrative that you present. So every thing's going to be a cumulative total so you don't want to just do one year.

Barbara Smith: And let me just add to that that it would be extremely important for you to try and fully anticipate your needs over the life of the loan because if you come back to us later for additional funding, there is no guarantee that that additional funding will still be available at some point in the future when you decide you need more funding. So you need to be as accurate as possible and you need to try and fully predict what your needs will be over the life of the loan.

(Jamie Atwood): And also, it looks like whoever raised that question has the wrong column. It would be Column E for a new or revised budget of the 424, that's where you're putting in the federal amount because this is a new budget.

Barbara Smith: And also you will note in the Funding Opportunity Announcement that we require as part of our - as part of the updates and the record - the documentation requires that you update your business plan and the 424 regularly.

So we do - will require and look forward to seeing updates as you gain experience with the plan, as you gain experience in your markets, and as you start to have real-world experience with your business plans. As is typical of any new enterprise, they need to be updated.

(Jamie Atwood): Let me see here, I think Barbara had mentioned before, you will be doing probably regular updates to your 424 depending on any kind of changes you do to your budget. And we do have some threshold amounts that if it's

underneath that then that's something you guys can kind of do on your own. Otherwise it has to go through us to get approval. And usually they are updated at least initially before we award.

After we review the budget and there's any kind of negotiations you may have, you change it then. Otherwise, you would change it afterwards if there was any kind of loan adjustments that you want to do and it exceeds a certain threshold then we would look at everything together. The 424 lists the total by category and the budget narrative actually breaks everything down of what you're actually asking for.

So it's possible that we would ask for updates on both and that would depend on whenever you do a loan adjustment or any kind of category and further information provided in your loan agreement.

Barbara Smith: Right, so the loan agreement will determine a lot of this, all right and pre-loan agreement negotiations. All right, I think that with that I think that we're probably ready to move forward. The only other question that I've seen come up that probably may apply generally to a number of people is whether the existing non-profit entity has to form a separate entity to apply for funds to become a CO-OP.

And the answer to that is that the entity that intends to become the issuer must be the applicant. So that you can't have an applicant with one organization - if that organization itself does not intend to become the issuer, which would mean that, of course, its primary purpose would be the issuance of insurance, all right.

And with that, Operator, I think that we are ready to open for questions.

Coordinator: Thank you, we will now begin the question-and-answer session. If you would like to ask a question please press star then 1. Please unmute your phone and record your name clearly when prompted. To withdraw your request press star then 2. Once again, to ask your question please press star then 1. One moment please.

Our first question comes from Erik Schindler. Your line is open, please ask your question.

Erik Schindler: Thank you, I'm Erik Schindler with the Montana Health Cooperative. I believe I heard you say that the Cooperative cannot offer products until states adopt the insurance reforms and I'm assuming that includes the exchange. The first funding date for...

Barbara Smith: Let me just -- if I could interrupt you. What the statute said is that they could not offer until the state had adopted the market reforms which would refer to things like - in addition to the market reforms that are going into place right now such as medical loss ratio it would also include guaranteed issue and community rating.

Erik Schindler: Okay, thank you. And so if that doesn't occur at the state level until 2014 and we're applying for start-up funds and the first of those awards will happen in January of 2012, are there going to be restrictions on those draw downs and getting those administrative costs and the infrastructure set up? Because you're talking about a two-year time frame.

Barbara Smith: No, no. I think we're sort of mixing apples and oranges here. What it means is you cannot accept enrollment until the market reforms are in place but in terms of everything that you need to do to get ready to draw down, I mean it's

- as we employ these metaphors, it is a long runway and - or it is a short runway and you don't have very much time to get to liftoff.

So we would certainly expect for people to be drawing down funds, you know, almost immediately after award to start getting the - organized to have a full-fledge insurance plan in place by the fall of 2013 to accept enrollment in to have coverage issued in January 2014.

Erik Schindler: Thank you.

Barbara Smith: Sure.

Coordinator: Our next question comes from (Elias). Your line is open.

(Elias): Can the solvency loans be taken down over time?

Barbara Smith: Well, the proposed rule states that the solvency loans must be drawn down - that enrollment must begin - that you must be open for business no later than six months after drawing down your first solvency loan. But to answer your question, solvency loans are tied to enrollment. In other words, you have to post reserves according to what your enrollment is.

We would expect that enrollment would build gradually in the new CO-OPs and therefore solvency loans would not be drawn down until enrollment justified the draw down of specific solvency loans. But from the first - when you draw down your first solvency increment you have to be open for business within six months of drawing down that first solvency increment.

(Elias): And would the interest rate be fixed at time of application or at time of drawdown?

Barbara Smith: It's fixed at time of award. Under the proposed rule it's fixed at time of award.
Just to give you a hypothetical timeline:

Assuming that you apply for the October 17 deadline for the October 17 application cycle and awards are made in December or January of that year, you will be awarded the full amount although you can't draw down the full amount. You will be awarded the full amount in January or December, December 2011/January 2012 and that will be the time of award.

(Elias): And finally, does the actuary need to survey - I meant need to certify the plans based upon the gold or silver standard you intend to offer? Is that the actuarial determination that will apply?

Barbara Smith: I'm sorry, which actuary?

(Elias): Well, I - there's a requirement of an actuarial certification in the application.

Barbara Smith: For your feasibility study.

(Elias): Correct, yes.

Barbara Smith: Right, right. You probably won't be able to do that at that time. What he has to certify is that the information contained in the feasibility study is correct and accurate.

(Elias): Thank you.

Barbara Smith: Okay.

Coordinator: Our next question comes from (Randi Ritchell).

(Randi Ritchell): Yes, thank you. For the funding for the solvency loan, do you have a specific level of RBC that you're going to fund up to? We're thinking about 300%. RBC would be a minimum but have you considered what level could we ask for a loan for up to 400% or 450%?

Barbara Smith: What we are asking that you do is to work with your State Department of Insurance or State Insurance Regulator and that the State Insurance Regulator must identify and you must so identify in your application what the appropriate RBC levels are that your State Insurance Regulator would consider you to need to have in order to be a licensed issuer in good standing.

(Randi Ritchell): Okay, thanks.

Barbara Smith: Thank you.

Coordinator: Once again, to ask your question please press star then 1. Our next question comes from Emily Katz. Your line is open.

Emily Katz: Hi, this is actually Emily Katz with Care Oregon but I'm in with my colleague, Jennifer Babcock from the Association of Community Affiliated Plans and she's going to ask the next question.

Jennifer Babcock: Hi, thank you. My question is about deeming. The proposed rule says that health plans offered by a loan recipient may be deemed certified as a CO-OP qualified health plan to participate in the exchange for up to ten years following the life of any loan awarded to the loan recipient. My questions are two-fold actually.

It appears as though a state exchange is going to have to accept that deeming certification and since the Reg uses the word may rather than shall, it appears as though HHS has some options as to whether or not to deem that CO-OP as a certified qualified health plan.

I'm curious what standards HHS will use to do that deeming. I'm curious as to whether the CO-OPs will have to meet all of the other required criteria that other qualified health plans will have to meet. Thank you.

Barbara Smith: So the deeming language - when a plan is deemed certified that control, the deeming provisions of the Affordable Care Act indicate that that controls their certification to participate in state exchanges. In terms of what we require under our notice of proposed rule making is that we have to determine that the CO-OP is in compliance with all the provisions of the CO-OP program, that's our standard for deeming and all of the federal requirements for qualified health plans.

So we do have to go through a process to make sure that the CO-OP is conforming and in compliance with all of the standards of our programs in order to achieve deemed status. We assume that CO-OPs will be in compliance with our program because we will be making every effort to keep them in compliance with our program.

But they do have to - we will have to provide, as stated in the proposed rule, we will be providing a notification to state exchanges that they are deemed - that have achieved deemed status. Does that answer your question?

Emily Katz: Yes, Barbara, thank you very much.

Jennifer Babcock: Thank you, thank you.

Barbara Smith: Thank you.

Coordinator: Our next question comes from Cheryl Townsend. Your line is open.

Cheryl Townsend: Thank you, hi, we had earlier submitted a question to Michelle Fegans and I'm not sure if that was part of the initial theme that you're addressing for a national organization that's applying, but our question was this in terms of, I guess, kind of strategy for application also how to develop the business plan.

If the applicant is a national organization that's going to be doing a phased-in rollout, let's say maybe ten states at a time, does the business plan for the first submission if the first submission was October, does the business plan need to reflect that phase or the entire phase throughout the life of the rollout to all 50 states?

And is there any prohibition against if an applicant applies the first time, let's say for the October, and 75 days later it's rejected. Do they - is there a waiting period before they reapply or how does that work?

Barbara Smith: Well, let me answer the second question first.

Cheryl Townsend: Okay, okay.

Barbara Smith: There is no waiting period established in the proposed rule or the Funding Opportunity Announcement so that if you are rejected you can reapply in the next cycle if that is your desire. I would just encourage you to - if you are rejected to scrutinize your application carefully and, you know, make sure that the next application sort of met the deficiencies that you believe may have existed in the first application.

With respect to the second question, we're sort of looking at each other to get some guidance. Generally the - what we have been saying is that we would like to see all of your - all of the states in your proposal for phasing in different states at the same time because it would help us evaluate whether or not your management team is sufficient to be able to manage the scope of the work that you have in mind.

Richard Popper who is the Director of Insurance Programs is here and he might have some views on that. The other thing I would just say is that if you wanted to do it through subsequent applications so that each application was a separate application but make it clear that you're talking about the same management team that's already managing this other infrastructure, that might be another approach. But I'd like to hear what Richard has to say about this.

Richard Popper: Yes, thank you, Barbara. I would just add to what Barbara said. You know, we'll be focused - spending a lot of our attention and time and focus on the feasibility of proposals that go into - potentially go into multiple states on those states that they will be able - that they're proposing to provide CO-OP coverage in 2014.

So if the proposal you're contemplating is considering being available in initial grouping of States in 2014 and then perhaps some additional states in 2016 or 2017 you should structure your proposal so it's focused on where you would be in 2014 and focus a lot of the text and justification and feasibility work on those initial States.

And then if you have plans to branch into additional states in later years, perhaps talk about that in separate paragraphs or separate discussions at the

end of the core part of the proposal, which is focused on where you would initially implement the COOPs for 2014.

Barbara Smith: Right, and funding would only be provided for the states that are fully justified by the feasibility studies and the business plans.

Cheryl Townsend: Okay, thank you. Thank you.

Coordinator: Please press star then 1 if you do have a question. The next question comes from Erik Schindler. Your line is open.

Erik Schindler: Hi, Barbara, this is Erik Schindler again from Montana. Is there any consideration - I'm going to ask one question and I have a follow up. Is there any consideration being given for the CO-OPs to be able to offer ACO type services?

Barbara Smith: I'm - would there be any - I'm sorry, could you ask...

Erik Schindler: Restrictions?

Barbara Smith: Restrictions on CO-OPs being able to offer ACO services to other CO-OPs or other issuers, is that the question?

Erik Schindler: To self-funded groups?

Barbara Smith: I don't think that there would be a restriction on that but it wouldn't be something for which start-up money could be used. I'm looking to Richard again.

Richard Popper: Yes, is it offering actually coverage to plans or just administrative services?

Erik Schindler: Administrative - I'm sorry, administrative services only to plans.

Richard Popper: But not bearing risk.

Erik Schindler: Yes.

Richard Popper: Okay, yes, I mean the funding is meant to run a non-profit health plan that provides coverage - non-profit issuer that provides coverage in the exchange or bears risk in other markets up to - but essentially all the coverage needs to be where the risk is being borne is to be provided in the exchange.

So other activities that the CO-OP may enter into outside of risk bearing activities related to providing coverage would not be eligible for start-up funding. But we don't believe it would be prohibited.

Barbara Smith: Right, correct.

Erik Schindler: Thank you.

Barbara Smith: Thank you.

Coordinator: Our next question comes from (Mark Burien). Sir, your line is open.

(Mark Burien): Thank you, now under the proposed CO-OP rules the CO-OP has to be a non-profit member organization and that's defined as a non-profit, not for profit public benefit or similar membership entity organized as appropriate under state law.

In Maine, and as well as in some other states, you know, organizations are required to choose to be a public benefit corporation or a mutual benefit corporation, which is I think a little more commonly known as like a member corporation.

And my question is for the purpose of the CO-OP requirements does it matter which type of corporation is selected provided that, you know, all the other CO-OP requirements are met such as having members, member control, profits benefiting members and so on?

Barbara Smith: Yes, I think that the purpose as we explained in the preamble is to make sure that it basically conformed to what we think of generically as the non-profit purpose entity. We specifically said as appropriate under state law because every state is different in terms of how they recognize these types of organizations.

And we did not feel at the federal level that we could adequately capture that. So as long as it meets those general parameters, whatever works under state law is acceptable.

(Mark Burien): Okay, great, thank you very much.

Barbara Smith: Thank you.

Coordinator: Please press star then 1 if you do have a question. One moment while we pause to see if there are any further questions.

William Young, you may ask your question.

William Young: Yes, this is Bill Young. One question, are counties going to be exclusive when you give the CO-OP, you know, approval? In other words, if you have more than one CO-OP in a state could it conceivably be that both CO-OPs operate in the same county?

Barbara Smith: Well, I don't think that we can answer that in the abstract. I think that it will just depend on whether the actuarial studies and the feasibility studies and the characteristics of that service area will support more than one plan. So it's basically a kind of market actuarial analysis that will have to be done by our external reviewers in evaluating that.

To the extent that you - I mean if you - we have two CO-OPs who were planning to operate in one county and one county alone we don't - it's a sort of - difficult to predict how that will come out.

Where they are operating over larger areas, not all of which are completely 100% overlapped, you know, it creates different kinds of options. So I think it will just depend on what is - what the feasibility study, the actuarial analyses, and the market characteristics are for those areas.

William Young: Thank you.

Barbara Smith: Thank you.

Coordinator: Our next question comes from (Clinton Mayes). Your line is open.

(Clinton Mayes): Dr. (Gray) is going to ask the question for me.

Dr. (Margaret Gray): Yes, this is (Margaret Gray) and the question is one, would a reinsurer be considered an issuer?

Barbara Smith: You mean a preexisting issuer in terms of eligibility?

Dr. (Margaret Gray): Yes.

Barbara Smith: I think we'll have to get back to you on that question.

Dr. (Margaret Gray): Okay, that's one question.

Barbara Smith: Okay.

Dr. (Margaret Gray): The other question is looking at the structure I thought I heard you say earlier that the applicant would have to be an issuer. So you wouldn't consider a national cooperation that had subsidiaries that were issuers.

Barbara Smith: No, let me clarify here. The applicant in all likelihood will not be an issuer at the point at which they apply because becoming an issuer requires achieving licensure at the state level and that is an evolutionary process. So you probably - an entity probably wouldn't become fully licensed and therefore become an issuer until they were at the point at which they were able to post the actual reserves for their enrollment.

So becoming an issuer is a progressive process. So we would expect that most of our applicants would not be existing issuers unless they were issuers that came into existence after July 16, 2009. Does that answer your question?

Dr. (Margaret Gray): Well, the question is would you allow for a national cooperation that would not be applying to be an issuer but that has subsidiaries that were issuers - that would be applying for issuers to be the applicant?

Barbara Smith: So I - if you - are you saying that the national corporation is not itself an issuer but it has subsidiaries that are currently issuers?

Dr. (Margaret Gray): No, that plan to be issuers.

Barbara Smith: Well, if the national corporation is not an issuer and it has organizations that are related to it that would like to be applicants and they are not currently issuers then they would appear to be eligible.

Dr. (Margaret Gray): Could the national cooperation apply on their behalf?

Barbara Smith: The only person that can be - the only entity that can be an applicant is the entity that will itself become an issuer. So the short answer to that would be no.

Dr. (Margaret Gray): And I'm just curious as to how do you apply in multi states? I mean if you're going to apply for multiple states and you can't list but one on the application.

Barbara Smith: Right, no, an applicant can apply to be - to operate in multiple states but the applicant itself must be the entity that is becoming the issuer. So it sounds to me like what you are describing is that you have a national organization that's not going to be the applicant but that will sponsor a variety of different COOPs in different states that are themselves independent entities and not related to each other, is that correct?

Dr. (Margaret Gray): Through the national cooperation.

Barbara Smith: Right, so they - I don't think that that framework works, that there has to be an entity that intends to become the issuer that must be the applicant. So either

they would have to apply separately in the States in which they operate or one of them would have to be the applicant.

Dr. (Margaret Gray): For the others.

Barbara Smith: For the others, right.

Dr. (Margaret Gray): Okay, all right. Thank you.

Barbara Smith: And then that applicant would have to show that it has sufficient management team, etc. to be able to operate all of the COOPs - the organizations of the different States.

Coordinator: Please press star then 1 if you do have a question. I show no questions at this time.

Barbara Smith: Okay, great. Well, thank you very much and again we do - we very much appreciate your participation in the call and we will look forward - if you have not - if you intend to apply and you have not submitted a letter of intent we certainly hope you will do so.

And the letters of intent do not have to be elaborate. It can just be the name of the organization, the States in which you intend to operate, and the date on which you intend to file your application.

But with that, again, we very much appreciate your participation and look forward to receiving your application, thank you.

END