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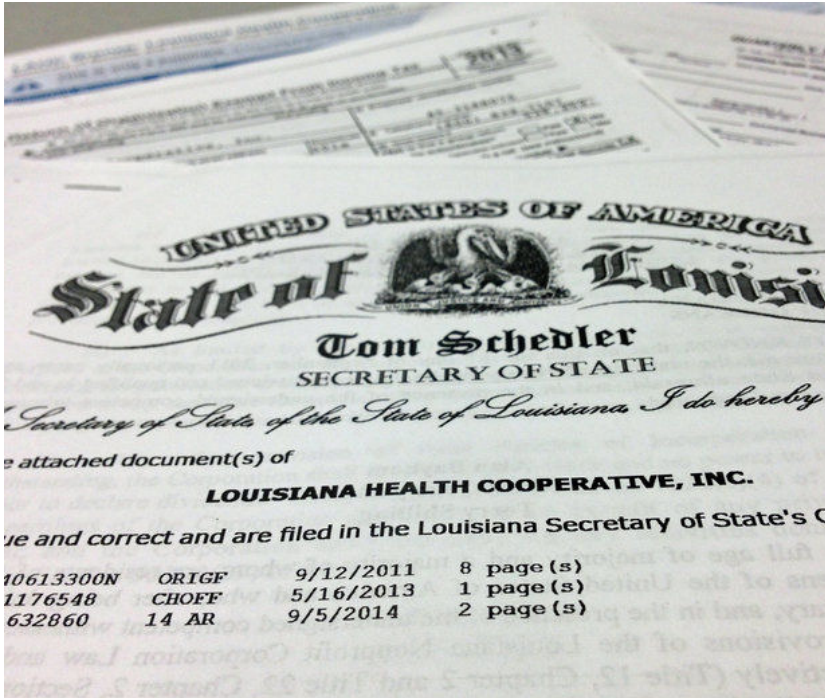
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State takes over failed Metairie-based health care cooperative



Louisiana Insurance Commissioner Jim Donelon is taking control of a failed insurance cooperative created in response to the Affordable Care Act, by order of court. Louisiana Health Cooperative, a not-for-profit insurance company created with \$56 million in federal loans made possible through the federal health care law, announced in July that it would discontinue all policies in January 2016. It had 17,000 customers at the time the announcement came, according to the state. (Rebecca Catalanello, NOLA.com | The Times-Picayune)



By [Rebecca Catalanello, NOLA.com | The Times-Picayune](#)
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Louisiana Insurance Commissioner Jim Donelon is taking control of a failed insurance cooperative created in response to the Affordable Care Act.

Louisiana Health Cooperative, a not-for-profit insurance company created with \$56 million in federal loans made possible through the federal health care law, announced in July it would discontinue all policies in January 2016.

Donelon has secured an order from the 19th Judicial District Court that grants him the right to take full possession and control of the company.

In a statement sent to media Tuesday (Sept. 1), Donelon called the move "in the best interests of its policyholders and providers, as well as taxpayers."

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State law authorizes Louisiana's insurance commissioner to petition the court to take control of an insurer when certain conditions are met, including "when an insurer is found to be in such condition that its further transaction of business would be hazardous to its policyholders, its creditors or the public."

Under the court's rehabilitation order, the commissioner is expected to appoint a "receiver" to take possession and control of all of the organization's property and assets. Court filings show that role will be filled by Billy Bostick, a CPA and consultant who has led previous receiverships for the Department of Insurance.

Louisiana Health Cooperative had 17,000 customers when it announced it would be shutting down operations, according to figures from the Department of Insurance.

Donelon's office said the state's take-over of the company's affairs should not affect policyholders, saying they should approach the matter as "business as usual."

"They should continue to pay premiums in the same manner, schedule doctors appointments and be assured that their policies will be honored," a media statement from Donelon's office said. "No one's health insurance policy will be canceled."

Louisiana Health Cooperative was [formed in 2011 by a core of people closely affiliated with Ochsner Health System](#). Its board at one point included four Ochsner executives, including CEO Warner Thomas.

Terry Shilling, a co-op founder and interim chief executive officer, had been CEO of Ochsner's health insurance arm for five years before forming the Atlanta consulting firm Beam Partners in 2004.

Tax records show that Louisiana Health Cooperative [in 2013 alone paid more than \\$3.6 million to businesses linked to Shilling and other board members](#).

Despite what Donelon has said looked like hopeful signs the cooperative would be successful, customer complaints began rolling into the Department of Insurance very soon into its initial coverage period opened in 2014 -- and [at a rate that greatly surpassed the other large insurance companies in the state](#).

By the end of 2014, Louisiana Health Cooperative customers had filed 106 complaints with the state -- the highest rate of complaints-per-customer of all of Louisiana's five major insurers and nearly twice the rate of those filed against market-leader Blue Cross Blue Shield of Louisiana, a company with 45 times as many customers.

Additionally, Louisiana Health Cooperative experienced financial losses more than 10 times what it expected in its first year, leaving it \$20 million in the hole by the end of 2014.

Enrollment in 2014 was less than half of what it planned -- 13,000 at mid-year in 2014 compared with the 28,100 people it projected. By December 2014, those numbers dropped 23 percent, the highest percentage loss among all of the nation's 23 co-ops during that period.

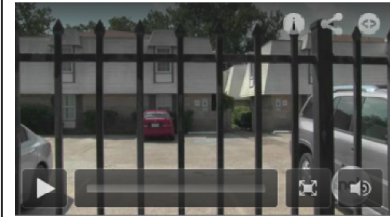
Like credit unions, co-ops were envisioned as a consumer-oriented alternative to corporate insurance companies in that their primary aim was to serve members rather than maximize corporate profits. Unlike for-profit carriers, the law required cooperatives to reinvest all profits in order to improve benefits and pricing for customers. And similar to credit unions, the federal government also required them to become member-governed.

But there were signs that the co-ops nationally were off to a rough start. The state of Iowa took over its co-op late last year after it was clear it was floundering financially.

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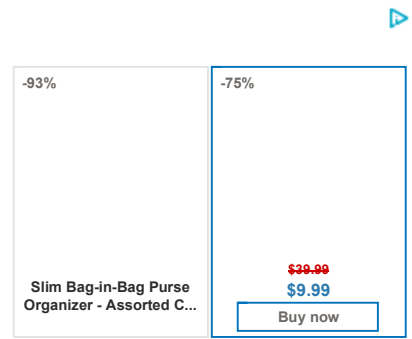
Seventeen of the 23 co-ops across the country projected negative income in the first year, as startups often do. But by the end of 2014, 20 of them had lost more money than expected. Together, not including Iowa, they lost \$376 million, 10 times higher than hoped, according to [a July analysis by the U.S. Department of Health and Human Services' Office of Inspector General](#). Only Maine's co-op ended the year in the black.

Rebecca Catalanello can be reached at rcatalanello@nola.com or 504-717-7701.



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