Frustration mounts over ObamaCare co-op failures

By Peter Sullivan - 08/01/16 06:00 AM EDT

A new wave of failures among ObamaCare's nonprofit health insurers is disrupting coverage for thousands of enrollees and raising questions about whether regulators could have acted earlier to head off some of the problems.

Four ObamaCare co-ops have failed due to financial problems since the beginning of the year, the latest trouble for the struggling program.

The co-ops were set up under ObamaCare to increase competition with established insurers, but just seven of the original 23 co-ops now remain.

The latest round of failures poses an even thornier problem than earlier cases because enrollees' coverage is now being disrupted in the middle of the year. That can increase patients' out of pocket costs and make it harder to keep the same doctors.

In Illinois, Oregon and Ohio, a combined total of about 92,000 people are being forced to find a new plan. A co-op in a fourth state, Connecticut, will last until the end of the year.

The Obama administration acknowledges there are extra problems when a co-op shuts down in the middle of the year. At a Senate hearing in March, Andy Slavitt, acting administrator of the Centers for Medicare and Medicaid Services (CMS), admitted that a co-op in Iowa and Nebraska, called CoOportunity, should have been shut down before it entered 2015. The co-op ended up failing shortly into the year.

“I will say CoOportunity should never have been allowed to go into the 2015 year, either by the co-op or by ourselves, and I think that's a very fair criticism in looking back,” Slavitt said then.

Now there's a similar situation in three other states. Asked if the CMS acknowledges that regulators should have shut the co-ops down sooner, CMS spokesman Aaron Albright instead pointed to state regulators, noting they have primary oversight responsibility.

“CMS and state departments of insurance communicate regularly,” Albright said in an email. “However, state DOIs are the primary regulator of insurance within their states.”

In an interview, Ohio Lt. Gov. Mary Taylor (R), who directs the state department of insurance, defended the decision not to shut down her state's co-op before 2016.

“You could be shutting them down unnecessarily,” Taylor said. “You've got to be very thoughtful.”

The CMS and the states aren't always on the same page, though, about a co-op's fate. Sources say that the CMS did not know that state regulators were going to shut down the co-ops in Oregon, Connecticut or Ohio. In the case of Ohio, the CMS found out through media reports.

Republicans have seized on the co-op failures as evidence that the broader health law is not working.

Slavitt wrote to Sen. **Rob Portman** (R-Ohio), who is investigating the co-op failures, last month, noting that the CMS was not notified in advance, but “once we were made aware” of the state's decision, “we immediately began to try and coordinate efforts with the state to notify consumers and get them enrolled in new coverage without any gaps.”

Having to switch plans in the middle of the year is a problem because it often means that enrollees need to start over on paying their deductibles, in effect increasing the amount they pay out of pocket for care.

Kathleen Gmeiner, project director at Universal Healthcare Action Network, an Ohio advocacy group, said that she has been in contact with a woman who had heart surgery while on the co-op plan but had to stop going to rehab sessions because she could not afford to pay out of pocket after her new plan reset her limit.

“Anecdotally, we had some trouble with individuals who were close to meeting their out of pocket maximum or who had already met it, and were very frustrated when they learned that if they switched plans they would have to start those payments over again,” said Zach Reat of the Ohio Association of Foodbanks, which is a “navigator” organization that helps people enroll in coverage.

Ohio and Illinois regulators say they have been having discussions with insurers to encourage them to honor the old deductibles and not to make enrollees start over. But those states, as well as the CMS at the federal level, say they do not have the authority to force insurers to follow through. In contrast, Oregon, citing its state law, is ordering insurers to comply.

Another issue is that people can lose access to doctors if their new plan has a different network, a problem that Reat also cited with enrollees he works with.

Some co-ops and state regulators say the problems could have been eased if the CMS had agreed to certain changes earlier.

In particular, they point to a section of ObamaCare called risk adjustment, which redistributes money from insurers with healthier enrollees to those with sicker enrollees.

On June 30, the CMS announced how much insurers would have to pay or receive in risk adjustment. The co-ops in Oregon, Illinois and Connecticut were all shut down days later, after state regulators said they would struggle to make those payments.

There was a push last year for the CMS to make changes to the formula for calculating risk adjustment, under the argument that it treated co-ops unfairly.

Some co-ops and state regulators say that the CMS initially resisted their calls and defended the formula as it was, before eventually agreeing to consider some changes for next year. But some argue that if changes had been made earlier, effective this year, it would have helped the co-ops.

SPONSORED CONTENT

A jaw-dropping 6% cash back card is here

By **NextAdvisor**

With credit cards offering up to 6% cash back, it's time to upgrade your card if you're settling for less **Read More**

Connecticut’s insurance department, for example, said that its commissioner, as well as officials from other states, “personally met with HHS Secretary [Sylvia] Burwell to seek a more workable” system.

“Unfortunately,” the statement added, the Department of Health and Human Services “has declined to modify its approach.”

Albright, the CMS spokesman, noted that the administration is continuing to “refine the program,” but defended risk adjustment overall. He pointed to a previous statement that it “has largely worked as intended to date.”

TAGS: Rob Portman

The Hill 1625 K Street, NW Suite 900 Washington DC 20006 | 202-628-8500 tel | 202-628-8503 fax
The contents of this site are ©2016 Capitol Hill Publishing Corp., a subsidiary of News Communications, Inc.