

Change in health care marketplace brings uncertainty, not collapse

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SALT LAKE CITY — When the Arches Mutual Insurance Co. announced its closure last week, Utah lost one of its biggest players, the 10th of 23 federal health care co-ops nationwide to announce its closure. That's cast doubt on a key component of the Affordable Care Act, particularly for those in rural areas with few choices for health care.

But those involved in the marketplace insist it remains a robust program with more than 130,000 Utahns receiving coverage. And health officials are hoping others will enter the market to make up for the loss in rural communities.

"We would've been asking consumers to shop around anyway," said Utah Insurance Department Commissioner Todd Kiser. He said that even before Arches closes its doors at the end of the year, annual rate hikes had been posted. Arches was proposing some of the highest increases, which would've caused at least some people to switch plans.

The large population of people who had not had insurance prior to signing with Arches engaged in medical care, resulting in a high number of claims. That prompted Arches to post a 42.8 percent rate increase for next year on its 21 plans offered to low-income Utahns via healthcare.gov.

The "death knell," Kiser said, came when the federal government announced at the beginning of October that it would not be meeting its promise to pay back plans that didn't make as much as anticipated in the year.

Arches had asked for \$27 million to pay its claims but was told it would get just 12.6 percent of that, which was not enough to sustain the nonprofit co-op. The health plan intends to continue policies through the end of the year, and consumers will be covered as long as they pay their premiums through Dec. 31.

For the nearly 31,000 Utahns covered on Arches small group policies, outside of the federal marketplace, those will continue to the end of the plan commitment, which may be as late as July 2016 in some cases, Kiser said.

But as the enrollment season kicks off today, decisions will have to be made.

Open enrollment

Open enrollment opportunities throughout the federal marketplace begin today offering consumers a chance to search for plans they can afford, comparing pricing the network of doctors, hospitals and prescription drug services that they need.

"This is the chance you get," Kiser said. "There's only an open window of enrollment for a very narrow period of time, from November to January."

The marketplace actually lost three providers in Utah this year, including Bridgespan, Altius and Arches Health Plan, with the latter shutting its doors completely and leaving about 35,000 low-income Utahns with no choice but to find a new insurer.

It was the second-largest Utah provider in the federal marketplace.

Arches was created three years ago with \$90 million in federal grant money. It was one of 23 health insurance cooperatives, officially called Consumer Operated and Oriented Plans, in the country that were formed to provide competition for the private market as individuals and families select coverage on the federal marketplace created by the Affordable Care Act.

In parts of Utah, Arches was the only alternative to the largest provider in the state, SelectHealth, which is the insurance arm of nonprofit Intermountain Healthcare.

Arches is the 10th of those 23 co-ops to close its doors, and some worry that more will follow. But Kiser said he doesn't believe the failure of one company spells doom for the rest of them, or for the Affordable Care Act.

"Certainly, along the Wasatch Front, where most of our population is, (the marketplace) is very healthy, very strong and very vibrant," he said. "When we go into these counties that only have an option with SelectHealth, it limits choice. We want to change that."

Twenty of Utah's 29 counties now have just a number of SelectHealth plans to choose from, which would've been problematic if rates hadn't already been decided before Arches withdrew from the market. Those prices remain competitive, said Utah Health Policy Project spokesman Jason Stevenson.

Stevenson said, however, that Arches had carved out a niche in places such as Moab, where specialists are sparse and it's easier to travel to the neighboring state's city of Grand Junction than to Salt Lake City for health care. The health plan had networked with doctors in the border town, giving residents more convenient options.

It remains to be seen whether another provider will step up and offer the same services, but the Utah Health Policy Project, which advocates for the uninsured, is pushing for it. Kiser said the state Department of Insurance is "having meaningful discussions" with various potential providers, but nothing is set.

What's next

Kiser said federal officials "might make an exception for the unique situation that exists in Utah," where a single, but strong, provider is available in some areas of the state.

"We're very grateful for (the strength of SelectHealth), but it doesn't always meet everybody's needs," Kiser said. He said it isn't likely a new deal will be struck before the start of open enrollment on Sunday. "I'd like to be optimistic the vacuum will fill, but I just don't know."

Kiser said a lack of choice is a disadvantage to consumers, as rural hospitals aren't always included in the SelectHealth network.

"Do you want to drive a black Ford?" he said. "In this country, we're used to bright, bold colors."

Assistant commissioner Tanji Northrup said the department is "working diligently" trying to find additional insurance carriers for both the small group marketplace (Avenue H) and healthcare.gov, "so consumers have the choices in provider networks where there's that vacuum that was created by Arches leaving the market."

While individual plans exist outside the federal exchange, enrolling through healthcare.gov is the only way Utahns can receive federal tax credits and cost-sharing reductions to help with the cost of purchasing their own insurance.

Northrup said Utah health plan enrollment continues to grow, with more people enrolled now than ever before. The department anticipates some fear and confusion from consumers, especially those on Arches plans, and they've made help available with a hotline at 801-528-3077 or online at www.insurance.utah.gov.

Consumers are also encouraged to call Arches or their individual brokers or navigators with questions, or get help switching plans by visiting Take Care Utah or calling 2-1-1.

Kiser said the state will handle the final closure of the company, including facilitating existing claims and those made through the end of the year. It will retain key Arches staff members to help with the transition. Money to cover claims will come from existing Arches assets and not Utah taxpayers, he said.

"This is unfortunate. It's regrettable that Arches collapsed," Kiser said. But he said the co-op couldn't continue with less money than expected.

"Most people in our society today couldn't survive on 12.6 percent of their income," Kiser said, adding that Arches, which reported nearly \$20 million in losses in its first year, "didn't see it coming."

What went wrong

In the past four weeks since the federal government announcement of much smaller than anticipated risk corridor program payments, at least five co-ops across the country have announced an inability to continue, including Arches.

The risk corridor program was set up to encourage insurers to take on more risk in order to help a more vulnerable population. According to the Affordable Care Act, it was to be based on how companies set their pricing — those making more than expected would pay into the program and those that earned less than projected would presumably make up the difference with help from the program, along with federal assistance, as intended by a Democrat-controlled Congress. A Republican-controlled Congress,

however, adopted the Balanced Budget Act in 2014, saying it wouldn't go into debt to save the insurers, thus the program became financially limited.

Consequently, in the first year of the program, insurers sought \$2.9 billion in repayment. The program, however, collected just \$362 million in the same year, resulting in the 12.6 percent payout amounts that crippled Arches and nine other co-ops so far.

Another fault that led to the co-ops' demise was that President Barack Obama, who pushed for the Affordable Care Act, promised that people could keep their existing policies. That meant that existing insurance providers had a healthy base of customers when the majority of the health care reform law took effect in 2014. Cooperatives didn't have that base but took on a group of people whose health care habits were largely unknown.

An unexpected high use rate led to more costly claims.

"This group of people had been on the sidelines of health care for a very long time," Stevenson said, adding that providers are already seeing use rates level off.

A Kansas study of the Society of Actuaries showed a spike in nonlife-threatening pent-up demand, he said, "that they got fixed when they got insurance."

"Those will not crop up year after year," Stevenson said.

While a lot of fear exists surrounding the unknowns related to Arches' fallout, he said people should take a look at what their plans offer and see what is available to make their benefits better.

Last year, about 27 percent of enrollees switched to a new plan, saving an average of \$76 per year, according to the U.S. Department of Health and Human Services.

"Shopping may save you money," HHS Secretary Sylvia Burwell said in a release. She said Utah's market remains competitive, offering a variety of affordable health plans based on a variety of individual and family needs and budgets.

Stevenson said the system should become more manageable with a healthier population base, but that the majority of people enrolled in insurance plans via the federal marketplace are within the 100 percent to 138 percent of the federal poverty level, which would put them on Medicaid plans in 29 states.

Utah has yet to make a decision on expanding Medicaid to that population, though several proposals, including various alternatives to Medicaid expansion, have not gained support of the Utah Legislature.

"Medicaid proposals that Utah had set up had smart innovations to reduce inappropriate use of the emergency room and provide for better health care literacy, teaching people how to use their benefits more efficiently," Stevenson said, adding that Medicaid "is a 50-year-old program with a proven track record of paying its bills."

While its reimbursement rates are lower than traditional payors, he said Medicaid is "an established, robust system of delivering health care to low income families."

Health insurance, Stevenson said, helps individuals and families focus on "getting better, not worrying about paying your bills."

Despite what he calls some flaws in the design of the Affordable Care Act, "it helps people and families maintain their health insurance."

"Once you have that, once you see how it works, it becomes something that is very valuable to you," Stevenson said. "If the ACA helps people get and keep health insurance, that is a good thing."

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