

Ailing Arches Health Plan to shut down on Dec. 31

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More Information

For more information about open enrollment through the healthcare.gov marketplace, contact Charlie Kulander at 435-260-2147, or Renee Troutt at 435-259-5981. You can also contact the Utah Insurance Department's Health Consumer Services division at 801-538-3077.

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Utah's only health insurance cooperative will go out of business by year's end, leaving consumers in Grand County with just one option to choose from on the federal healthcare.gov marketplace.

The Utah Insurance Department announced this week that it will place the financially struggling Arches Health Plan into receivership, which allows the state's insurance commissioner to supervise the coop's existing policies. Word of the impending loss quickly reached residents in Moab and other rural communities beyond the state's urban

Wasatch Front, who are already scrambling to find new health insurance coverage for the coming year. According to independent health insurance broker Charlie Kulander and Central Utah Insurance agent Renee Troutt, county residents could find great bargains through Arches – the only current marketplace insurer that offers coverage to medical services in Grand Junction, Colorado.

“They were the go-to people throughout rural Utah,” Kulander said. “That's where they got a lot of their business ... If you went shopping for a (more affordable) silver-level plan, the top six were Arches. They owned the bottom end.”

“Arches has been our most popular plan that's sold through the marketplace,” Troutt said. “They've performed really well for clients, and they've paid their claims on time.”

The coop will continue to pay for its customers' doctor visits and procedures until the stroke of midnight on Dec. 31. In order for coop consumers to keep their current plans for the remainder of 2015, the insurance department advises them to pay their premiums through New Year's Eve.

Of course, there are still plenty of health insurance options beyond the healthcare.gov marketplace. But anyone who shops elsewhere for coverage will not be eligible for federal subsidies and other benefits that are offered through the federal Affordable Care Act, or Obamacare.

Unfortunately for those people, offerings in Grand County are dwindling, after Altius and BridgeSpan Health withdrew from the healthcare.gov marketplace earlier this month.

When the marketplace's next open enrollment period for new coverage in 2016 begins on Sunday, Nov. 1, local consumers will have just one choice: SelectHealth, a branch of Salt Lake City-based Intermountain Healthcare.

Both Kulander and Troutt suggest that anyone who needs a new plan should hold off on registering for at least another month, with the hope that a broader range of alternatives will emerge between now and then.

“I would counsel everybody to take a deep breath and wait it out,” Kulander said. “To immediately jump in there right now is premature.”

Troutt said the phone at her office is “burning up” in the wake of the insurance department's announcement, although she is unable to help clients find new policies before Nov. 1 at the absolute earliest.

“People are in front of my desk wanting to do something now, and there's no way we can do that,” she said.

If people follow Kulander's advice, she said, her office will still have plenty of time to help residents sign up for new plans before the open enrollment period ends in mid-December.

Loss of federal funding blamed for Arches shutdown

Like other health insurance cooperatives that have since gone under, Arches relied heavily on the federal government's "risk corridor" program, which was set up to protect insurers from losses by reallocating funds from one company to another.

In the two years since the Affordable Care Act became the law of the land, some insurance companies found themselves deep in the red. Formerly uninsured or underinsured customers underwent long-postponed surgeries for knee replacements, hip surgeries and other costly procedures, and insurers like Arches were counting on millions of dollars in risk corridor money to make up for their losses.

"All this delayed treatment was just let loose, and insurance companies knew they would be underwater," Kulander said. "They were just waiting for these risk corridor payments to kick in."

However, on Oct. 1, the Centers for Medicare and Medicaid (CMS) announced that it would pay those insurers a little more than 12 cents on the dollar – a fraction of the money that they were expecting to receive. As a result, Arches reported that it had an unexpected cash shortfall of \$27 million, according to Kulander.

"It failed precisely because of the way it was funded," he said.

There's plenty of blame to share for the failure of health insurance cooperatives in Utah and other states, Kulander said, starting with Congress and the slow-to-communicate Centers for Medicare and Medicaid.

Kulander said that Arches' team worked hard to offer great deals through the marketplace, although in retrospect, he said the lower prices from the outset may have contributed to the coop's demise.

"For two years, with everybody I talked to, I said, 'This is almost too good to be true,'" he said.

Arches Health Plan eventually reached the same conclusion.

Weeks before the insurance department made its announcement, the coop informed its customers that it would be implementing a 58 percent rate hike in 2016. Under its plans, one consumer's silver-level premium would have jumped from about \$295 per month to \$395 per month.

By that time, though, Kulander said it was too late.

Pros and cons of current SelectHealth coverage

If there's an upside for soon-to-be former Arches consumers, Kulander said it's the fact that SelectHealth will be offering 19 plans that are much less expensive than the plans the coop would have implemented next year. What's more, anyone who signs up for coverage through the healthcare.gov marketplace and falls under certain criteria can still qualify for subsidies, which are based on the second-lowest silver-level plan that is offered in the region.

"It's going to help offset some of those price hikes," he said.

The problem, he said, is that Moab residents won't have any Grand Junction coverage.

Not yet, at least.

However, Kulander and Troutt said they will work with the Utah Health Policy Project and others to lobby for access to physicians on the other side of the Utah-Colorado state line.

"We're trying to get some kind of a coalition going to convince SelectHealth to cover Grand Junction in some form, so that we can have access to that," Kulander said.

Grand Junction-based coverage is essential to Castle Valley resident Shannon O'Donoghue, who signed up for Arches primarily because it offered access to physicians within a 90-minute drive of her home.

"In the end, in two years, we really didn't actually need to see a specialist in Grand Junction very often," she said. "But when we made the decision, it was like, 'Wow. This is the only company that is offering people in rural Utah that option.'"

As her family hunts for a new plan, O'Donoghue said they'll continue to hope for access to providers in western Colorado.

“Definitely, the geography of coverage is important to us,” she said. “We want the best medical specialists within driving distance to be covered under our plan.”

They also want to hold onto the same providers they've been using for the last two years.

“We don't want to be changing doctors unless we have to,” she said.

However, they might not have a choice, according to Troutt.

“If (their doctors) are not in the SelectHealth network, they will need to find a new physician or a new provider,” she said.

SelectHealth does have a member advocacy hotline that consumers can call and try to obtain pre-approval for a provider that is not included in the insurer's network, Troutt said.

“But they will all need to be pre-approved, unless it's an emergency,” she added.

Beyond the loss of Grand Junction coverage, O'Donoghue thinks a major takeaway is the fact that Grand County will soon be down to a single choice of insurers that operate through the federal marketplace.

“It's a bit scary that there's only one provider,” she said.

Castle Valley resident Alice Drogin said she has been very happy with her Arches plan, which allowed her to undergo surgery for a double-knee replacement at Moab Regional Hospital.

“It's like a new life for me, but for other people like that, I don't know what they're going to do now,” she said.

At this point, she hasn't given much thought to the pending changes, except to say that she's disappointed by the loss of Arches.

“I'm dismayed because I'm just feeling for all of the people who need health insurance who won't have it now,” she said.

As new information continues to emerge, Drogin expects that she and other Arches customers will have to sort through the unfamiliar options that are available to them.

“It's going to be a big change for all of us,” she said. “It's going to be a big scramble.”

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