

Utah Insurance Dept. orders state's nonprofit insurance co-op to shut down

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A \$2.5 billion shortfall in funds guaranteed through a federal “risk corridor” program led the Utah Insurance Department this week to place Arches Health Plan into receivership.

Arches’ more than 45,000 members will continue to have full coverage through Dec. 31, although claims and the co-op’s termination of plans will be supervised by the Utah Insurance Department, according to an Oct. 27 news release from the department.

Arches, a health insurance membership cooperative created as part of the Affordable Care Act, began offering coverage in January 2014. Named for Grand County’s unique sandstone spans and using imagery of its red rock canyons, the nonprofit co-op aggressively marketed its plans throughout rural Utah. Though operating as a state HMO, Arches allowed in-network coverage in Grand Junction, which won the company droves of customers in southeast Utah. Arches members will now be forced to transition to another insurance company by Dec. 31 to maintain continuous coverage in 2016.

Todd Kiser, commissioner of the Utah Insurance Department, said his agency’s priority is to make a “soft landing,” for Arches customers. He urged Arches members to call his department at 801-538-3077 with any questions.

[People are] going to be nervous, perhaps a little fearful, and we want to alleviate those fears and challenges,” he said

Renee Trout at Central Utah Insurance in Moab said, the majority of the health plans that she has set up for people in Grand County through the marketplace are with Arches Health Care.

“It’s hundreds,” she said. “We will be here to help. People should definitely seek assistance.”

“Everybody knows that help is out there,” Trout added. “Most people will need some kind of help or assistance to get enrolled in a new plan. My fear is that I hear people say that they’re just going to dump their insurance. There are other options.”

Individuals who need to sign up for a plan have until Dec. 15 to pick a new plan that becomes effective Jan. 1, Trout said, and until Jan. 31 to enroll in a new plan with a later effective date.

“They have a three-month window that they can go uninsured without being assessed a fine,” she said.

All contracts between Arches and providers will remain valid through Dec. 31, and local health care providers, including Moab Regional Hospital, will continue to accept Arches insurance until then.

“No one needs to worry about access,” said Jen Sadoff, CEO of Moab Regional Hospital. “They will be covered all the way until the stroke of midnight on Dec. 31. Arches customers should not put off medical care in 2015 because they fear they will be stuck with the bill. That won’t happen.”

Of the original 23 health insurance cooperatives that were created in states, Arches is the 10th to fail this year, victims of a lack of guaranteed funds through a three-year federal “risk corridor” program, which was set up to compensate insurance companies for the expected loss in revenue from enrolling millions of uninsured people.

Although the funds were guaranteed to be paid by the Centers for Medicare and Medicaid Services (CMS), a division of the U.S. Department of Health and Human Services (HHS), CMS was unable to pay the \$2.5 billion shortfall primarily because of a provision spearheaded in Congress by U.S. Senator Marco Rubio (R-Florida), which amended the December 2014 omnibus spending bill to force the risk corridor program to be revenue neutral. That provision disallowed HHS from drawing the money from other sources.

Facing a \$27 million shortfall, Arches had just a couple of weeks to find alternative

funding that would allow the co-op to continue providing coverage into 2016. As a nonprofit cooperative with no shares to sell, the money chase proved fruitless, and Arches was forced to close for business after Dec. 31.

Two other insurance companies, Bridgespan and Altius, have also abruptly left the Health Insurance Marketplace, citing shortfalls in the expected “risk corridor” payments promised by the Centers for Medicare and Medicaid Services (CMS). This leaves SelectHealth as the only insurance carrier on the Health Insurance Marketplace in 20 of Utah’s 29 counties, including Grand County.

Commissioner Kiser said he hopes to lure an insurance company or two back onto the Health Insurance Marketplace.

“It is regrettable that the co-op model has not worked across the country,” said Kiser, who added that he has received preliminary approval from CMS to ask other insurers to step in to the exchange.

“Miracles could happen,” he said.

Times-Independent reporter Lisa J. Church contributed to this story.

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