



INSIDE HEALTH POLICY

DAILY NEWS

South Carolina Co-Op Ninth To Announce Closure After Partner Shuttles

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South Carolina's Consumers' Choice Health Plan is the ninth co-op to announce it will stop selling plans at the end of the year, less than two weeks after its partner co-op, Tennessee's Consumer Health Alliance, also said Oct. 14 it will shutter. Last month, the head of the two co-ops told *Inside Health Policy* the partnership would soon break even and touted the model as a way for others to avoid failure, but all that changed with CMS' subsequent risk corridor payment announcement.

Consumers' Choice is the fifth nonprofit insurer this month to pull out of a health insurance exchange in 2016, faulting CMS for paying back less than 13 percent to issuers in a risk corridor program that increasingly looks like it will make or break small plans. The co-op's announcement Thursday (Oct. 22) that it will no longer offer plans leaves more than 67,000 residents looking for new coverage going into open enrollment next month.

“Last week’s announcement of a risk corridor reimbursement of just 12.6% cast doubt on the collectability of over \$17 million of CHA’s risk corridor receivable and led to an unavoidable outcome,” President and CEO Jerry Burgess, who oversees both co-ops in Tennessee and South Carolina, said in statements from both plans.

Consumers' Choice Health Plan and Community Health Alliance coverage will expire Dec. 31, and providers will be paid for claims incurred through that date. The decision to stop offering plans came after lengthy discussions with state and federal regulators, the companies said.

Other co-ops that have gone under include: CoOpportunity Health in Iowa and Nebraska, Louisiana Health Cooperative, Nevada Health Co-Op, Health Republic Insurance of New York, Kentucky Health Cooperative, Colorado HealthOP and Oregon's Health Republic Insurance. All told, their approximately 610,000 collective enrollees need to find new plans. Fourteen of the original 23 co-ops are still in business for 2016.

Consumers' Choice was approved for a maximum premium rate increase of 52.12 percent and maximum decrease of 18.8 percent, for an average 22 percent rate hike in 2016, according to South Carolina Department of Insurance data. The plan is now required to submit a plan for winding down its business to the insurance department.

"This should be an orderly runoff of the company's business. Our expectation is that the company will honor its existing commitments to policyholders and health care providers as a part of winding down its operations," said Ray Farmer, director of the South Carolina Department of Insurance. "The Department has monitored the financial condition of this insurer very closely since licensure and will continue to do so until this process is complete."

"This was a difficult decision for the insurer and this agency, but this is what is in the best interests of South Carolina consumers and health care providers," Farmer added. "The South Carolina Department of Insurance will do everything it can to assist South Carolinians through this process."

The South Carolina insurance department did not immediately answer how much in federal loans the state's co-op has yet to pay back.

Burgess told *Inside Health Policy* last month that he expected Consumers' Choice Health Plan and Community Health Alliance to break even in January 2016. He said more states should look at adopting the Tennessee-South Carolina model as a way to avoid further closures: The two co-ops share infrastructure and management to lower costs, but each company uses its own federal loan. They maintain separate boards and answer to different insurance commissioners.

Their partnership has made each co-op more stable, Burgess said, saving "several million dollars per co-op, per year." If other states do the same, he speculated, the savings could reach as high as \$10 million per co-op.

But those savings are apparently not enough to keep either co-op afloat. Officials from the National Alliance of State Health Co-Ops had no comment for *IHP* on how the closure might affect South Carolina's Consumers' Choice Health Plan, nor when asked whether the group is working with CMS on an emergency measure to protect the rest of the co-ops, whether consumers should be wary of enrolling in the remaining co-ops going forward and whether the remaining co-ops are doing anything in particular to assure members that their coverage is safe.

The Tennessee co-op's enrollment of new FFM customers was frozen in January. It sought a nearly 33 percent premium rate increase for individual coverage and an increase of about 13 percent for its small group coverage in 2016.

"This was not a decision that the Department took lightly, but it was the right decision," Tennessee Insurance Commissioner Julie Mix McPeak said in a release. "With thousands of Tennesseans' coverage hanging in the balance, CHA's financial success

could not be guaranteed. Ultimately, the risk of CHA's potential failure in 2016 was too great and would have caused substantial detrimental effects on the market as a whole if it were to collapse." -- *Rachel S. Karas* (rkaras@iwpnews.com)