Committee on Energy and Commerce Subcommittee on Oversight and Investigations, "Examining the Costly Failures of Obamacare's CO-OP Insurance Loans"

November 5, 2015, 10:00 am

Statement from Senator Ben Sasse

As prepared for delivery:

Chairman Murphy, Ranking Member DeGette, and members of the subcommittee, thank you for inviting me to speak today. I appreciate the opportunity to think along with you about how we respond to the failure of CO-OPs in 14 states. It is an urgent problem that has left hundreds of thousands of Americans scrambling to find new health plans this fall.

Before we dive into the details about CO-OPs, I want to take a moment to suggest we take off our partisan hats. Yes, I fiercely oppose the Affordable Care Act. And yes, there are members of this committee who might love it. That's not what this is about. It's about getting to the bottom of what's going on and why so many of our neighbors are losing their health coverage.

The tumultuous failure of the Affordable Care Act's Consumer Operated and Oriented Plan program began in my own backyard with the collapse of CoOportunity Health in Nebraska and Iowa.

The goal of today's hearing will be to get to the bottom of what is happening with CO-OPs. I plan to make two points today. First, while there is much more that we must understand, what we know so far suggests that the CO-OP program may be systemically flawed and serves as an example of greater bureaucratic incompetence generally. Second, that the lack of transparency on this issue is harmful and the Department of Health and Human Services owes the American public answers. Republican or Democrat, our constituents deserve nothing less than a full accounting.

The CO-OP program was included in the ACA to purportedly foster competition in the new exchanges by federally funding the start-up of 23 non-profit health insurers. To get them off the ground, taxpayers loaned these insurers $2.4 billion. After less than two years of operation, 12 CO-OPs are down and the program has a failure rate of over 50 percent.

The first failure, CoOportunity Health in Nebraska and Iowa, has arguably been the messiest because people lost their health plan in the middle of the plan year. CoOportunity was awarded a total of $145 million in taxpayer-funded loans. The new insurer had garnered about 10 times the number of enrollees that they had originally anticipated and was seemingly successful.

However, despite the ample funding and enrollees, on December 16, 2014, more than a month into the new open enrollment season, the Iowa Insurance Commissioner placed CoOportunity under a supervision order. By January 23, 2015, the Iowa Insurance Commissioner deemed rehabilitation of CoOportunity impossible and sought a court order for liquidation. After just one year of operation, the new nonprofit health insurer abruptly collapsed.

This was a quite a shock to the 120,000 CoOportunity enrollees, a majority of whom are Nebraskans. These people were forced out of their insurance plans and had to go through the grueling process of signing up for coverage on healthcare.gov all over again.

So why did CoOportunity fail? Curiously, more than 9 months later, we still don't have answers.

But sadly, CoOportunity's messy demise was just the first CO-OP domino to fall. Now, a total of 12 CO-OPs across 14 states will be closed by the end of the year. These 12 co-ops were awarded more than $1.1 billion in taxpayer-funded loans and had more than a half a million enrollees.

Another especially noteworthy failure is Health Republic of New York, the largest CO-OP. It received more in taxpayer loans than any other CO-OP, totaling more than $265 million. In late September, they announced they would cease operations at the end of the year. But just last Friday, the state's health insurance regulatory body, revealed that the situation was much worse than originally anticipated. Apparently, a review conducted in conjunction with CMS found that the previously reported filings were not an accurate representation of Health Republic's financial condition. Now, the CO-OP is closing down as fast as possible instead of at the end of the plan year.

This means that the more than 200,000 enrollees in Health Republic will have to pick a new insurer and plan in order to maintain health coverage for the month of December. The new coverage will then expire on December 31st and they will have to once again choose another insurance plan for 2016 coverage. The sudden disruption and subsequent consumer confusion is eerily similar to what Nebraskans and Iowans faced earlier this year with CoOportunity's closure.

Which brings me to my second point: We still don't have good answers. With 12 out of 23 insurers rapidly going under, inaccurate filings for the New York CO-OP, and more than $1 billion in taxpayer "loans" out the door, there are more questions than ever regarding the CO-OP program at large. I believe it is essential that HHS answer basic questions.

For instance, CMS awarded additional solvency loans to CoOportunity, Health Republic in New York, and Kentucky Health Cooperative, all of which have closed or are closing now. Was CMS doubling down on their initial misjudgment by awarding additional loans?

At the time of the awards, these three insurers were operating at substantial losses that seemingly stemmed from poorly pricing their products. Indeed, one analysis measured the percentage difference between the CO-OPs' average silver plan premium for a single, 27-year-old in the state to the corresponding average premium for all other carriers selling in the same market and found that CoOportunity in NE, Health Republic in NY and Kentucky Health Cooperative were all priced more than 20 percent below all their competitors.

Should HHS have given these companies *more* taxpayer money given the anomalies of their pricing models?

Moreover, HHS has yet to address if and when taxpayers will be repaid for the $1 billion they loaned to these 12 CO-OPs.

These are the types of answers and information that HHS should be providing to the American people.

The lack of transparency thus far has been disappointing to say the least. I started asking questions after CoOportunity failed in my state this past May. Without receiving a sufficient response, I asked more questions when the second CO-OP failed in Louisiana. By the time eight CO-OPs had gone under, I elevated my effort to get answers by pledging to oppose all HHS nominations. Since that announcement, less than three weeks ago, four additional CO-OPs are closing, cementing further that this is a systemic problem within the CO-OP program.

Consumers who face coverage disruption and taxpayers who footed the bill deserve answers. CMS needs to provide a complete accounting of what has gone wrong within the CO-OP program. I hope that will start today at this hearing.

Thank you.