HEALTH CARE

Audit finds 22 of 23 taxpayer-backed ObamaCare co-ops lost money in 2014

Published July 30, 2015

Associated Press

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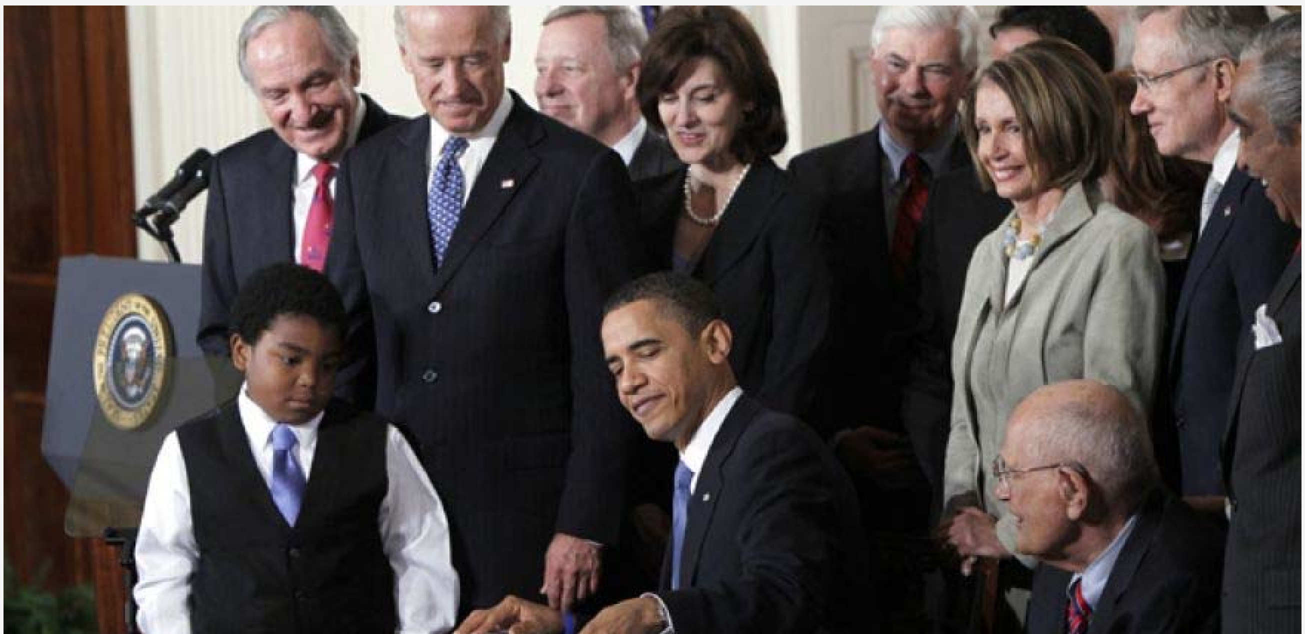

FILE - In this March 23, 2010, file photo, President Barack Obama reaches for a pen to sign the health care bill in the East Room of the White House in Washington. (AP Photo/Charles Dharapak, File)

WASHINGTON – Nonprofit co-ops, the health care law's public-spirited alternative to mega-insurers, are awash in red ink and many have fallen short of sign-up goals, a government audit has found.

Under President Barack Obama's overhaul, taxpayers provided $2.4 billion in loans to get the co-ops going, but only one out of 23 -- the one in Maine -- made money last year, said the report out Thursday. Another one, the Iowa/Nebraska co-op, was shut down by regulators over financial concerns.

The audit by the Health and Human Services inspector general's office also found that 13 of the 23 lagged far behind their 2014 enrollment projections.

The probe raised concerns about whether federal loans will be repaid, and recommended closer supervision by the administration as well as clear standards for recalling loans if a co-op is no longer viable. Just last week, the Louisiana Health Cooperative announced it would cease offering coverage next year, saying it's "not growing enough to maintain a healthy future." About 16,000 people are covered by that co-op.

"The low enrollments and net losses might limit the ability of some co-ops to repay startup and solvency loans, and to remain viable and sustainable," said the audit report. A copy was provided to The Associated Press.

Although the audit only goes through the end of 2014, problems apparently persisted into this year. A preliminary review of 2015 data by government officials shows that enrollments have increased, but co-ops continue to report financial losses.

Officially called Consumer Operated and Oriented Plans, nonprofit co-ops were a compromise after liberals were unable to achieve their goal of using the 2009-2010 health care debate to create a government-run insurance program competing against corporate insurers. Under the deal they struck, taxpayers would provide two types of loans: startup money and reserve funds to meet solvency standards set by state regulators.

As recently as the spring, the White House touted co-ops as an accomplishment. "In states throughout the country, co-ops have competed effectively with established issuers and attracted significant enrollment," said a report by the president's Domestic Policy Council on the fifth anniversary of the health law.

The IG's audit paints a very different picture. Among its findings:

--Maine was the only co-op in the black for 2014, with $5.9 million in net income. Losses ranged from a high of $50.4 million for Kentucky's co-op to $3.5 million for Montana's. Most of the co-ops had previously projected losses for 2014, but the actual losses they experienced tended to be higher. Illinois had projected $28 million in income and instead came in with a loss of $17.7 million. New York, the leader in enrollment, had a $35 million loss.

--Thirteen co-ops fell far short of their enrollment projections, and nine met or exceeded them. New York enrolled 155,400 people, more than five times what it had projected. But co-ops in Arizona, Illinois and Massachusetts only hit 4 percent of their enrollment targets. There were no year-end data for the Iowa/Nebraska co-op that was shut down.

--Low enrollment and medical claims expenses that exceeded the income from premiums contributed to the losses. Nineteen co-ops had medical claims that exceeded premiums. The reasons included higher-than-expected enrollment of people with expensive health problems, lower-than-expected enrollment of younger people, and inaccurate pricing of premiums.

Separately, the AP used data from the audit to calculate per-enrollee administrative costs for the co-ops in 2014. It ranged from a high of nearly $10,900 per member in Massachusetts to $430 in Kentucky.

In a written response to the audit, Medicare chief Andy Slavitt said the administration agrees with the findings as well as the IG's recommendations for closer oversight and clearer standards. He also offered a defense of the co-ops, saying they don't have an easy job.

"The co-ops enter the health insurance market with a number of challenges, (from) building a provider network to pricing premiums that will sustain the business for the long term," Slavitt said. "As with any new set of business ventures, it is expected that some co-ops will be more successful than others."

The administration "takes its responsibility to oversee the co-op program seriously," he said.

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