

Health-Insurer Shutdown Jolts N.Y. Marketplace

Health Republic Insurance of New York had insured 215,000 members



Teachers at the International Charter School in Brooklyn are insured through Health Republic Insurance of New York, which is shutting down. *PHOTO: PETER FOLEY FOR THE WALL STREET JOURNAL*

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Joshua Smith, a Rockland County insurance broker, was deluged with questions from clients after regulators said they were shutting down Health Republic Insurance of New York, which was known for having some of the lowest rates in the state.

“It’s been a week of craziness,” said Mr. Smith, who owns Vanguard Benefit Solutions LLC, which enrolled about 75 small businesses in Health Republic’s plans. “Lots of emails, lots of calls, and everybody is nervous about what is going to happen.”

The pending demise of Health Republic, the largest of the nonprofit cooperatives created under the Affordable Care Act and the only co-op in New York, removes a significant player from the state’s insurance industry.

It also left the insurers’ 215,000 members, about half of whom are individuals and half are insured through small businesses, in need of new coverage. Individual Health Republic plans will end on Dec. 31, and small-group plans end as early as Oct. 31, although some will continue into next year.

[State and federal regulators are shutting down the insurer](#) because of the likelihood that it would become insolvent, according to the Centers for Medicare and Medicaid Services.

Health Republic Insurance of New York isn’t affiliated with two similarly named insurers, in Oregon and New Jersey.

“It’s clear with hindsight that they didn’t charge enough money,” said Scott Harrington, a professor of health-care management at the University of Pennsylvania’s Wharton School. In 2014, the average Health Republic silver-plan premium was about 26% lower than the state’s average for other silver plans, he said.

According to regulatory filings, the insurer lost \$52.7 million in the first six months of 2015 and \$77.5 million in the full year of 2014. Earlier this year Health Republic received an \$80.2 million bill for risk adjustment, a charge for insurers whose members are documented to be younger or healthier, which is then distributed to insurers whose members are sicker.

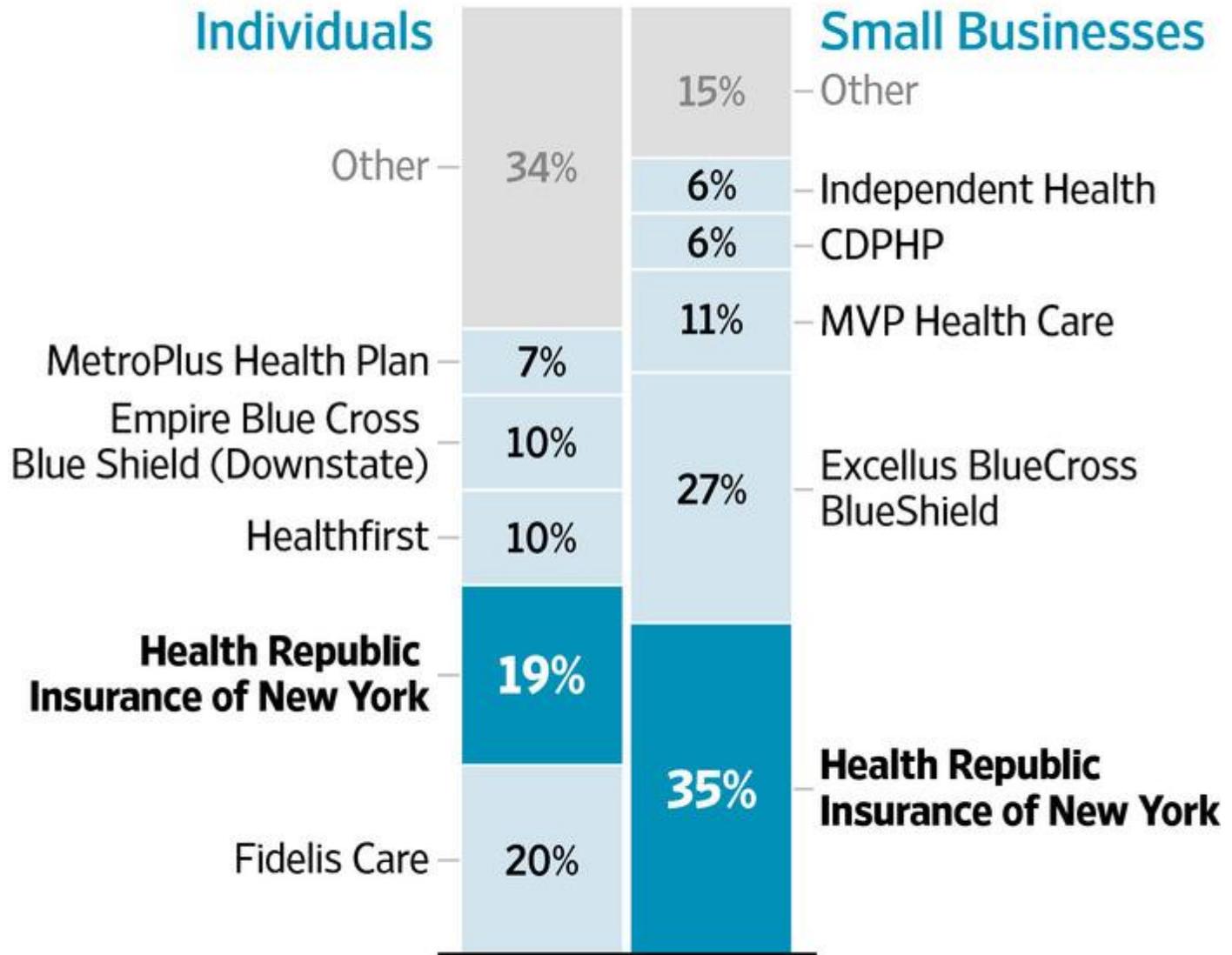
“The idea is to level the playing field, so that everyone is dealing with the same level of sickness in their population,” said Sherry Glied, dean of NYU’s Wagner Graduate School of Public Service.

But as a co-op, the insurer was ineligible for private investment and thus was reliant on the government for startup funding.

“Starting a new insurance company is a daunting task in any environment, but the challenges placed on us by the structure of the co-op program as enacted by a bitterly partisan Congress were simply too difficult to overcome,” Health Republic said in a statement.

Market Share

Percentage of enrollment by insurer through New York state's exchange for 2015.



Note: Data for Individuals enrolled as of Feb. 28, 2015, and small businesses enrolled as of April 6, 2015.

Source: New York State of Health

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For other insurers in the state, the disappearance of the co-op leads to a reshuffling. Health Republic insured about 19% of individuals and 35% of small businesses that enrolled through the exchange for 2015, according to New York State of Health, the state's exchange.

Sixteen insurers are expected to offer coverage on the exchange for 2016.

“Whenever you have a couple hundred thousand members thrown into the pool, there is always opportunity there,” said Alan Murray, president and chief executive of North Shore-LIJ CareConnect Insurance Co., a for-profit insurance company owned by the Long Island-based health system.

The insurer, which has about 28,000 members in the state, both on and off the exchange, recently began a branding campaign. “At some point we will probably release ads targeted directly to Health Republic members,” Mr. Murray said.

Insurance company Oscar has fielded a significant number of calls from Health Republic members who are looking to switch insurers.

For small-group insurance “it’s a real rate play,” said Al Marino, president of Amsterdam Consulting Group Inc., an insurance broker on Long Island.

CareConnect has some of the lowest rates, but a smaller network than some of the industry stalwarts, Mr. Marino said. “By default, the Oxfords and Aetnas will get business,” he added.

For individuals and small businesses who now have Health Republic, the insurer’s disappearance from the marketplace is a headache, particularly for those who might now need to find a new doctor, or are in the middle of medical treatment.

“I was very upset,” said 60-year-old Christine Ventre, a retired teacher who lives near Syracuse. “I’m going to spend a lot of time going over the details of every single plan.”

Matthew Levey, executive director of the International Charter School of New York, said his school’s 22-member staff have a small-group plan with the insurer, and would need to find a new one. “To the extent that it makes our teachers worry, it’s another hassle on their plate while they are getting to know their kids,” he said.

“They had the best rates, best benefits, best network,” said Mr. Smith, the broker. “For nine out of 10 individuals, we went with Health Republic.”