Health co-op failure in NY leaves doctors owed millions

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In this photo taken on Wednesday, Nov. 18, 2015, a business logo adorns the wall outside the offices of Health Republic Insurance of New York, Wednesday, Nov. 18, 2015, in New York. The sudden collapse of Health Republic, by far the largest nonprofit health insurance cooperative created by Obamacare, is having repercussions in New York. More than 200,000 people are scrambling to find alternative insurance before their policies expire on Dec. 1. (AP Photo/Kathy Willens)

The sudden collapse of the largest nonprofit insurance cooperative created by President Barack Obama's health care law is causing headaches in New York, especially for medical providers owed millions of dollars for treating the failed plan's patients.

More than 200,000 people insured through Health Republic Insurance of New York have until Monday to sign up with another company if they want to maintain coverage in December.

State regulators ordered the insurer to shut down at the end of the month because of severe financial problems. They are also investigating what they say were inaccurate financial filings by the company.

The closure—part of a wave of failures of the new co-ops nationwide—has been a big hassle for Health Republic policyholders, who have had to shop around quickly for alternative coverage.

The situation may be worse, though, for doctors, hospitals and other clinicians. They are legally obligated to continue treating Health Republic patients through the end of the month but have been given no assurances they will ever be paid for that care.

"I'm aware of at least two physicians who have gotten checks from Health Republic, and those checks have bounced," said Dr. Joseph Maldonado, president of the Medical Society of the State of New York.

Two groups that represent hospitals, the Health Care Association of New York State and the Greater New York Hospital Association, said their member facilities are already owed at least $150 million, not including care provided in much of November.

Medical practices are likely owed millions of dollars more. A survey of 800 doctors by the medical society found that 43 percent were owed money by the company. Nearly 8 percent reported being owed $25,000 or more. One practice of 22 physicians reported being owed more than $5 million, the society said.

Health Republic Insurance of New York was one of 23 nonprofit health cooperatives created nationwide by the Affordable Care Act and was, by far, the largest of those to fail. The companies, backed with $2.4 billion in taxpayer-financed loans, were supposed to be lower-cost, consumer-friendly alternative to the private, for-profit insurers that dominate the marketplace.

Most, though, have struggled mightily. At least half will have shut down by the end of this year, just two years after they began operating. (Health Republic of New Jersey, a separate co-op run independently of Health Republic of New York, is still in business.)

Experts give a variety of reasons for the failures, including poor management, low premiums and not enough startup funds. Republicans in Congress have criticized the initiative as a giant waste of money. The federal health overhaul was initially supposed to provide up to $6 billion in startup loans, but Congress ended funding in 2013.

Health Republic received $241 million in federal loans. The company's ability to repay that money is unknown.

MagnaCare, the company that had provided Health Republic with its large network of medical providers, tried to stem losses by ending its agreement with the insurer on Oct. 19, but the state intervened Nov. 5 and ordered the network to keep seeing patients through the end of the month, saying a shutdown would be too disruptive.

That was good for patients like Penny Glaser, a breast cancer survivor from Nesconset, New York. She persuaded her doctor at Memorial

Sloan Kettering Cancer Center to move a scheduled follow-up exam from December to November so she could be assured of getting the test before her insurance expired.

She wasn't aware the shift could mean that the hospital may go uncompensated, or at least be paid pennies on the dollar.

"I think the state of New York should bail out everybody," Glaser said.

Health Republic officials didn't return phone or email messages. Messages left with executives at Alvarez and Marsal, a company brought in by the state to take over management of Health Republic during the wind-down, also weren't returned.

Dr. Maldonado, of the medical society, said that if state officials want to count on the continued support of physicians for the health care overhaul, the government should step up and "make the providers whole."

The Greater New York Hospital Association has proposed the creation of a guarantee fund, financed by the insurance industry, that would ensure that providers get paid. The state has similar guarantee funds for some other lines of insurance.

"This is the responsibility, in my opinion, of all insurers in this state," said the association's president, Kenneth Raske.

Leslie Moran, spokeswoman for the New York Health Plan Association, said insurers strongly oppose that idea.

"Other plans in the state should not be asked to bear the burden of fixing a problem they didn't create," she said.

Officials in New York's Department of Financial Services and the state's health plan marketplace have said that for now they are focusing their energy on making sure Health Republic's policyholders switch to another plan without a disruption in their care.

In their Nov. 5 letter to MagnaCare, state officials that Health Republic's financial consultants "are hopeful that modest payments on outstanding claims may be made at some point in the future."

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