Homeland Security & Governmental Affairs Permanent Subcommittee on Investigations,
"Review of the Affordable Care Act Health Insurance CO-OP Program"

March 10, 2016, 9:30 am

Statement from Senator Ben Sasse

As prepared for delivery:

Chairman Portman and Ranking Member Tester, thank you for holding this important hearing today. I first want to acknowledge our colleague and ranking member, Senator Claire McCaskill. We all wish her well and a speedy return to the Senate.

Today's hearing is about the families who lost their health care plans, the taxpayers who were swindled, the bureaucrats who mismanaged the program, and the local governments who had to cut budgets from firefighters and schools to make up for Washington's failures. Everyone in this room— Republican or Democrat— has a duty to their constituents to get the whole story.

The Affordable Care Act's Consumer Operated and Oriented Plan program created 23 non-profit health insurers using $2.4 billion in "loans" from federal taxpayers.

Less than a year into operation, the financial condition of many of these CO-OPs was unstable at best. As today's report shows, CMS's own private consultant, Deloitte, warned that this was the case. Despite this, CMS continued to disburse loans and even awarded additional loans. Since then, 12 have gone out of business, representing a CO-OP program failure rate of more than 50 percent.

Sadly, there were about 740,000 people covered by these 12 defunct insurance companies that were given $1.2 billion in "loans" from taxpayers. As we've suspected for sometime, this subcommittee's report concludes the loans will probably never be repaid.

When these companies failed, they imposed varying degrees of disruption on their enrollees and the market within which they operated.

Unfortunately, the mess caused by this program began in my state with the abrupt failure of CoOportunity Health.

While CoOportunity was headquartered in Iowa, it operated in both Nebraska and Iowa. The newly created insurer was given a total of $145 million in taxpayer-funded loans. Things seemed to be going well at first when CoOportunity announced they had signed-up far more enrollees that they had originally anticipated.

However, despite ample funding and enrollees, on December 16, 2014, as people were signing up for 2015 coverage, the Iowa Insurance Commissioner placed CoOportunity under a supervision order. By January 2015, the Iowa Insurance Commissioner said rehabilitation of

CoOportunity would be impossible and sought a court order for liquidation. After just one year of operation, the new nonprofit health insurer collapsed.

When CoOportunity failed, a total of 120,000 enrollees, a majority of which are Nebraskans, had their coverage canceled and were forced to find a new insurance company.

But the collateral damage from CoOportunity's failure does not end there for Nebraskans.

CoOportunity owed millions of dollars to doctors and hospitals for claims made by its enrollees.

To address this kind of thing, the State of Nebraska has a guaranty fund that pays claims in the event that an insurance company, such as CoOportunity, fails. The guaranty fund is primarily financed by assessments on insurance companies selling similar health plans in the state. To help pay for CoOportunity's unpaid claims, insurers in Nebraska were assessed fees totaling $46.8 million in 2015. It should be noted that this sum was not even enough to cover CoOportunity's losses and that the guaranty fund had to take out a loan. As CoOportunity has no remaining assets, it's improbable that the guaranty fund will ever be repaid the $46.8 million that was assessed onto insurers in the market.

In other words, these insurers had to pay CoOportunity's outstanding bills and there is no reason to believe that CoOportunity will pay them back. As a result, Nebraska tax revenues will decrease by $46.8 million because insurers are able to reduce their tax liability by the amount of their contribution.

This means that the state government will have this much less revenue to pay for state priorities like education, roads, and firefighters. Thus, Nebraskans have to pay for this Obamacare failure again, on top of the $145 million in federal loans given to CoOportunity.

As previously mentioned, 11 other CO-OPs failed in addition to CoOportunity, likely initiating variations of this story across 11 other states in 2015.

Moreover, depending on the viability of the 11 remaining CO-OPs, it could happen in more states this year to more consumers. Indeed, of the 11 CO-OPs remaining in operation, we know that as of February 25, CMS had placed eight on Corrective Action Plans. In addition, updated financial reports show that conditions have gravely worsened for the four CO-OPs with data available for the fourth quarter of 2015.

Despite this mess, CMS has offered little in terms of a significant explanation.

I've been questioning the Department of Health and Human Services since last May about all of this. I've sent four letters over that period and working alongside Chairman Portman to request documents to unearth the cause of this CO-OP debacle.

HHS owes all CO-OP enrollees, federal taxpayers, and taxpayers in my state answers. I look forward to finding some today from our witness panel.