NOTICE OF ROUNDTABLE

SENATE STANDING COMMITTEE ON HEALTH
SENATE STANDING COMMITTEE ON INSURANCE

SUBJECT: The demise of Health Republic and preparing for the future

PURPOSE: To review the State's oversight of health insurers and protect consumers, providers and other businesses who depend on viable insurers by exploring what steps may be needed to ensure appropriate protections are in place to prevent future failures.

The Senate Standing Committees on Health and Insurance will hold a Roundtable discussion at 9:00 am on Wednesday, January 6, 2016 in Room 124 of the Capitol, Albany, New York to discuss and examine issues relating to Health Republic's recent demise and the State's response to financially fragile insurers.

Health Republic Insurance of New York, a co-op established under the Affordable Care Act (ACA), was the largest private health insurer on the New York State Exchange, covering about 20% of all Exchange enrollees. In 2015, the insurer wrote policies to over 200,000 New Yorkers through the individual and small group market, both on and off the Exchange, until it was abruptly shut down on November 30th. While the Department of Financial Services (DFS) initially called for the insurer to shut down by the end of 2015, on October 30th it announced the shutdown was being expedited and consumers had until November 15th to enroll in new coverage which would begin December 1st.

While consumers, providers and other health insurers scrambled to understand the many implications of the shutdown, it became painfully clear that costs to consumers, providers and other businesses around the State were many and substantial. Consumers were left to find new affordable coverage that included their health care providers within network, which was not always possible. For example, cancer patients outside of New York City receiving treatment from Memorial Sloan Kettering could not find an insurer that included the hospital in their network and Exchange policies do not include out of network coverage. Consumers also had to prove they had paid their deductible for the year in order to have their new insurer make payments on their behalf.

The healthcare providers in the MagnaCare network, with whom Health Republic contracted, have been left with mounting unpaid claims. According to the Hospital Associations, which surveyed their members, over $160 million in unpaid claims from Health Republic remained as of mid-November when consumers were still covered by the insurer. According to the Medical Society of the State of New York, physicians have also sustained tens of millions of dollars in losses with some practices being owed more than $1 million. Given that the State directed the insurer to cease payments in early November, several physicians had Health Republic checks actually bounce. To date, DFS has not provided information on the assets of Health Republic but indicated they hope to make "modest payments" on claims.

Insurance brokers have also expressed concerns about the losses they are facing as a result of the shutdown. While less vocal, insurers who stepped up to accept the auto enrollment of over 100,000 policies in a matter of weeks for what may be just a month of coverage, will likely experience high administrative expenses associated with the failure as they enroll and try to reconcile deductibles only to see many enrollees be moved over to the new Essential Plan (Basic Health Plan) beginning in January 2016, as approximately 40% of Health Republic's enrollees will likely be eligible.

The failure of Health Republic was massive, and while nationwide many of the federally established co-op insurers have also been shut down, none had been allowed to grow to the size of New York's co-op nor left such a wake among providers, insurers and other businesses. Health Republic is not the only New York health insurer to become insolvent, and a number of insurers are struggling to remain viable in the changing health care market. The ACA and the move to "managed care for all" has opened new opportunities for insurers, some of whom have very little experience.

The oversight role of the State as well as the prior approval process for insurers and their rates must be called into question and thoroughly reviewed to ensure that the State does not find itself in this situation again. In addition to the failure of Health Republic, financial losses of many of New York's health insurers raise concerns about the stability of the marketplace, particularly since these recent losses represent a multi-year trend. Transparency of plan rate filings is now more important than ever to consumers and businesses, as well as transparency of the DFS rate setting process to preserve actuarially sound premiums necessary to protect plans and the public. Greater transparency and guaranteeing a sound rate setting system in New York that will, in turn maintain marketplace stability in order to offer New Yorkers adequate choice of affordable health insurance options.

This Roundtable will bring together the lead agencies, health insurers, providers, consumers and experts in the field to explore what went wrong in the case of Health Republic and how we can ensure appropriate transparency, monitoring, oversight and protections are in place to avoid future health insurance failures.

Participation is by invitation only. Any prepared statements or materials to be submitted by participants should be sent in advance. Written comments will also be accepted and may be sent to the attention of the Chairs at 430 Capitol, Albany, NY. In order to further publicize these hearings, please inform interested parties and organizations of the committees' interest in hearing testimony from all sources. Individuals can also watch the event online on the New York State Senate website at the following web address: http://www.livestream.com/NYSenate_Health In order to meet the needs of those who may have a disability, the legislature, in accordance with its policy of non-discrimination on the basis of disability, as well as the 1990 Americans with Disabilities Act (ADA), has made its facilities and services available to all individuals with disabilities. For individuals with disabilities, accommodations will be provided, upon reasonable request, to afford such individuals access and admission to legislative facilities and activities.

New York State Senate Standing Committee on Health
Senator Kemp Hannon, Chair
New York State Senate Standing Committee on Insurance
Senator James Seward, Chair

Senate Standing Committees on Health and Insurance

Roundtable on the Demise of Health Republic

January 6, 2016 – Albany, New York
9:00 a.m. – Room 124 Capitol

Participant List

Donna Frescatore
Executive Director, NY State of Health
NYS Department of Health

Jeffrey Gold
Senior VP Insurance & Managed Care
Healthcare Association of New York State

Paul Macielak, Esq.
President & CEO
New York Health Plan Association

Craig Hasday
Legislative Chair
NYS Association of Health Underwriters

William Golden
Northeast Region CEO
United Healthcare

Harold Iselin, Esq.
Greenberg Traurig, LLP

Troy Oechsner
Special Assistant to the Superintendent
NYS Department of Financial Services

Kathleen Shure
Senior VP, Managed Care & Insurance Expansion
Greater New York Hospital Association

Joseph R. Maldonado Jr., M.D.
President
Medical Society State of New York

Scott Hayworth, M.D.
President and CEO
Mount Kisco Medical Group

David Anderson
President & CEO
HealthNow New York

Sean Doolan, Esq.
NYS Conference of BC & BS Plans

Senate Standing Committees on Health and Insurance

Roundtable Discussion:
The Demise of Health Republic and Preparing for the Future

January 6, 2016
Albany, New York

AGENDA

I. **Opening Remarks/Introductions**

II. **Agencies' Oversight Role and Remedial Actions**

III. **Insurer's Perspective**

IV. **Provider's Perspective**

V. **Consumer's Perspective**

VI. **Next steps and Conclusions**

TERRENCE P. MURPHY
SENATOR, 40TH DISTRICT

ROOM 817
LEGISLATIVE OFFICE BLDG
ALBANY, NY 12247
(518) 455-3111

601 EAST MAIN STREET
1ST FLOOR
SHRUB OAK, NY 10588
(914) 962-2624

E-MAIL ADDRESS
MURPHY@NYSENATE.GOV

THE SENATE
STATE OF NEW YORK

CHAIR
ADMINISTRATIVE REGULATIONS REVIEW COMMISSION

CO-CHAIR
HEROIN TASK FORCE

COMMITTEES
BANKS
ETHICS
HEALTH
INVESTIGATIONS & GOVERNMENT OPERATIONS
LABOR
LOCAL GOVERNMENT
MENTAL HEALTH & DEVELOPMENTAL DISABILITIES

January 6, 2016

The Honorable Kemp Hannon
Chair, Senate Health Committee
Room 420, State Capitol
Albany, New York 12247

The Honorable James Seward
Chair, Senate Insurance Committee
Room 430, State Capitol
Albany, New York 12247

Dear Senator Hannon and Senator Seward:

While I regret that I am unable to attend today's important roundtable in person, I felt obligated to share with you the concerns I have heard over the disastrous Health Republic closure. As a private healthcare provider, I know all too well the trials and tribulations of navigating the health insurance industry. Recent events here in our state are proving greater attention is needed to the health exchange and those participating.

As I follow the fallout of the largest major health exchange co-op to go "belly up," I would be remiss if I did not share with you the growing concerns of the health care providers, hospitals, and insurance brokers in my district. The stark reality is, the shockwaves caused by this incredible blunder has impacted the entire healthcare industry putting doctors, hospitals, and small businesses at great financial risk.

I have four hospitals in my district who are looking at a combined $8.7 million in outstanding claims as a result of Health Republic's inability to pay. This figure does not include the multitude of health care providers from urgent care centers to small private practices who are owed payment for caring for Health Republic insureds. I have one large provider with offices throughout the Hudson Valley, Mt. Kisco Medical Group, that has indicated a minimum of $6 million in accounts receivable owed by Health Republic.

I believe New York State has an obligation to these organizations and individuals to properly compensate them for their services which ultimately saves lives. I urge you, and offer my assistance and expertise, to come up with a reasonable timetable to find answers to the questions posed by the thousands impacted by this costly lack of oversight.

Included in these valid concerns are a fair and timely reimbursement for services by those who accepted patients covered by Health Republic.

Furthermore, we need to be mindful that a resolution for all health care providers impacted does not place an additional burden on consumers. With regard to state oversight of Health Republic and other health "Co-op" insurers provided by the New York State Department of Financial Services, I have serious concerns regarding the efficacy of the Department's abilities to regulate this industry. Health Republic's failure has impacted over 215,000 enrollees and countless providers. We need to first determine how Health Republic was allowed to fail, and how New York can ensure this does not happen again.

My services and expertise are at your disposal in order to render a viable solution to these concerns, and as always, I appreciate your dedication to the people of our state.

Sincerely,

Dr Terrence P Murphy

Dr. Terrence P. Murphy
Member of the Senate

TM/af

SENATE ROUNDTABLE ON HEALTH REPUBLIC
COMMENTS OF KATHLEEN SHURE

SENIOR VICE PRESIDENT, MANAGED CARE AND FINANCE
GREATER NEW YORK HOSPITAL ASSOCIATION

JANUARY 6, 2016

Chairmen Hannon and Seward and other members of the Senate Health and Insurance Committees, thank you for the opportunity to participate in your roundtable discussion on the demise of Health Republic Insurance of New York (HRINY). My name is Kathleen Shure, Senior Vice President, Managed Care and Finance, at the Greater New York Hospital Association (GNYHA). GNYHA represents approximately 150 not-for-profit and public hospitals in New York City, the surrounding areas, as well as in Albany, Rochester, Syracuse, Buffalo, Connecticut, New Jersey, and Rhode Island.

As you are well aware, HRINY's failure and the astonishing speed with which it collapsed has profoundly impacted both consumers and providers. GNYHA was first made aware of the planned orderly wind-down of HRINY from news reports on September 25 that were subsequently confirmed after inquiries to the Department of Financial Services (DFS). Less than five weeks later, however, State officials announced that instead of the hoped-for orderly wind-down, there would be an abrupt termination of all policies on November 30 and HRINY was subsequently ordered to cease all claims payment as of November 5. DFS changed the planned course of action after reviewing HRINY's records, which revealed the insurer's financial condition to be substantially worse than had been reported. The State's primary concern in expediting the HRINY shutdown was that consumers could be left without access to care if providers exercised their contractual rights to terminate their HRINY agreements in light of the insurer's failure to reimburse them for services provided.

In addition to leaving consumers worried about their access to care as they scrambled for new insurance coverage, this unanticipated turn of events left hospitals and doctors with millions of dollars in unpaid claims and significant doubts that any of it will be reimbursed. To be clear, GNYHA believes that the State's actions to accelerate the termination of HRINY were appropriate given the difficult circumstances it faced and the need to ensure that consumers would not lose access to health services.

But much of this could have been avoided if New York law provided for a health insurance guaranty fund to protect consumers and providers when a health insurer becomes insolvent. This basic protection exists in every other state to address this very situation. New Jersey created a health insurance guaranty fund in 1992 and the health insurance guaranty funds in Connecticut and Pennsylvania date back to the 1970s. And as you know, though more than half of the health insurance cooperatives authorized under the Affordable Care Act have failed, none have had the repercussions experienced in New York—largely because other states have health insurance guaranty funds. Had one been in place in New York, it would have allowed for an orderly wind-down of HRINY. The mass confusion that occurred for consumers could have been avoided and providers would have some assurance that they would ultimately be paid for the health care services they provided.

While HRINY is not the first New York health insurer to fail and likely won't be the last, we believe the size of the HRINY failure is unprecedented. New York hospitals have reported $165 million in outstanding receivables through October, and we expect the total to exceed $200 million when November claims are incorporated. Physicians and other providers are also owed millions. GNYHA believes it is incumbent upon the Legislature and the Executive Branch to take action to address HRINY's outstanding liabilities and protect consumers and providers from future health insurer insolvencies.

New York hospitals stood by their patients during HRINY's demise. They could have terminated their HRINY contracts for failure to make payment, but they did not. Despite the uncertainty of payment, they continued to provide both emergent and non-emergent care and even made special arrangements to ensure that patients in ongoing cancer treatment could continue to utilize existing providers. Our hospitals did the right thing and should not be the ones left "holding the bag" as a result.

GNYHA strongly recommends that legislation be enacted to create a health insurance guaranty fund financed by an assessment on other insurers, levied only in the event of a health plan's insolvency. Such a fund would not create a new permanent tax but rather a temporary assessment on insurers—the same insurers that will ultimately benefit from the demise of one of their competitors. Fortunately, insurer failures are rare, but when they do occur we need a statutory framework with protections that allow consumers to transition smoothly to other coverage and ensure they have continued access to health services through stable provider networks.

A health insurance guaranty fund will help keep provider networks intact during an insurer's insolvency by giving providers confidence that they will not be left with millions of dollars in unpaid claims.

BlueCross BlueShield
of Western New York

BlueShield
of Northeastern New York

PLANNED REMARKS BY David Anderson, President and CEO

BLUECROSS BLUESHIELD OF WESTERN NEW YORK and

BLUESHIELD OF NORTHEASTERN NEW YORK

to the NYS Senate Health & Insurance Committees Roundtable on Health Republic

New York State Capitol
January 6, 2016

Senator Seward, Senator Hannon, members of the Roundtable. I am David Anderson, President and CEO of HealthNow New York, the parent company of BlueCross BlueShield of Western New York and BlueShield of Northeastern New York. Thank you for the opportunity to participate in today's important conversation.

BlueCross BlueShield of Western New York and BlueShield of Northeastern New York operate in the Buffalo and Albany markets, respectively, and serve more than 800,000 members and employ more than 1,600 collectively. We are a not-for-profit, community-based health plan that has been in existence for almost 80 years, and have over $2.5 billion in annual revenue. In short, we know how to run a health plan.

When Health Republic launched with great fanfare and eye-brow-raising low premiums, our experience in responsibly managing a New York state health plan for our members indicated that Health Republic was destined to fail. In an industry with no margin for error, Health Republic was under-capitalized and under-funded from the start, and decisions made by Health

Republic, the New York State Department of Financial Services, and the federal government only exacerbated the problem.

Despite being a new plan, with a thin provider network, Health Republic's rates were significantly lower than competitors' throughout the state. As a new plan, Health Republic was also unable to realize the administrative streamlining and efficiencies that established health plans have successfully achieved. For example, our administrative overhead is less than 10 percent of revenue while Health Republic's was 18.8 percent through mid-2015. As a new plan, Health Republic did not have sufficient capital reserves, a legal requirement for all health plans in New York State, to cover its members' health care as well as its high administrative costs. Health Republic's reserves had dwindled to 8.6 percent of revenue, well below the 12.5 percent statutorily required minimum for health plans. These insufficiencies, combined with low rates, were a recipe for disaster, a disaster that came to the fore-front on October 30th, when New York State contacted New York's health plans regarding the accelerated shut down of Health Republic due to its financial condition.

For the past five years, New York State's health plans have been subject to "prior approval" when establishing premium rates for the coming year. The intent of prior approval, as we understand it, is to establish a process and timeframe for regulators to review and approve changes in premiums before they become effective, so as to "control inappropriate health insurance premium increases." However, in practice, the law has opened the door for regulators to establish "regulatory flexibility" in the rate setting process, which flies in the face of sound actuarial assumptions and methods.

At HealthNow, we base our premium rates on historic data about members' health care needs and use of services, disease rates and the costs of care from doctors, hospitals, for prescription medication. Since the advent of prior approval, and especially in the case of Health Republic, it is evident that state regulators bent more to the desire to have lower rates than actuarially sound rates.

These seemingly arbitrary decisions, with little to no feedback from the submitting plans, can put even the most well established plans in peril, and were a death sentence for Health Republic. In 2014, eight plans lost a combined $774 million including our own plan's $40+ million loss, and all indications are that in 2015 the losses continue from well-reserved and well-capitalized, responsible health plans in New York.

Despite the factors I listed earlier, the Department of Financial Services looked at Health Republic's shockingly low rate submissions in 2013 and deemed them sufficient. They weren't. In 2014, despite incurring $35 million in losses due to the 2013 insufficient rate, DFS actually cut Health Republic's requested rate by 8.5 percent. 2014, coincidentally, was a state election year.

In 2015, just months before the announced failure and shut down, DFS again approved rates below what Health Republic requested, almost 2.5 percent less.

While decisions made by Health Republic and the federal government have been cited as the reason for its failure, the inadequate rates approved by the Department of Financial Services were a key component of Heath Republic's downfall. As the state regulator, DFS either factored the political environment into the rate setting process, or approved an inadequate rate based on their actuarial review. In its own press releases, DFS lauded "rate reduction actions will save consumers," "reduced insurers' overall proposed rate increases by more than half," and, remarkably, that the approved average increase was "below the average increase in health care costs." It is clear that DFS either politicized the rates, or missed seeing the writing on the wall, as all other New York plans saw clearly on Day One. In either case, changes need to be made.

When our health plan was blindsided at the end of October by the Health Republic failure, it necessitated us to create a series of internal operational, financial, actuarial and sales teams, along with our leadership team, to "drop everything" and participate in a series of calls, conferences, meetings and in turn, create a process to handle an influx of over 1500 members who were likely enrolling for only 30 days.

There has been no regulatory relief from this onboarding, nor was there any awareness of this impact on our business during the time of year we are focused on employer groups and open enrollment activities to make sure new members are able to use their benefits on January 1.

Senator Seward, I want to personally thank you for your legislation addressing this important issue. While Senate Bill 4540 passed the Senate last session, it languished in the Assembly. Enactment of this legislation will ensure that sound actuarial assumptions and methods are used in the creation, and approval, of premium rates, and hopefully will prevent another Health Republic debacle in the future. It was disappointing, that this important legislation died in the Assembly. It is my hope that the Health Republic story will change this legislation's fate.

This disaster is the perfect example of why more transparency in the rate setting process is a smarter course. For HealthNow plans, the past two years of rate setting further validate the need for reform. After careful calculations and evaluation of all factors, real and perceived, in 2015, we filed an aggregate rate decrease of 1%, and were required to further cut our rates by another point. For 2016, we filed an 8% increase, and had that cut to 0%. Our costs certainly rose, yet our revenues were required by regulators to go unchanged. To quote Bill Hammond in his Empire Center Issue Brief and NY Post article, "consumers might be better off if Albany kept its entire regulatory focus on the financial health of insurance companies while leaving price-setting to market forces." Hammond smartly argues that, based on his analysis of prices pre-

prior approval and the last five years, there is "certainly no justification for the ham-handed solution of price controls."

Again, Senators, members of the Roundtable, thank you for inviting me to participate in today's discussion. I look forward to the continued dialogue today and in the months to come.

<u>About BlueCross BlueShield of WNY & BlueShield of Northeastern New York:</u>
BlueCross BlueShield of Western New York and BlueShield of Northeastern New York are divisions of HealthNow New York Inc., one of New York's leading health care companies that provides access to quality health care and solutions for members throughout Upstate New York. Since 1936, BlueCross BlueShield has helped millions of people gain access to health care. Headquartered in Buffalo, NY, the company is an independent Licensee of the BlueCross BlueShield Association.

MKMG
MOUNT KISCO MEDICAL GROUP PC
www.mkmg.com
90 South Bedford Road • Mount Kisco NY 10549-3412 • 914-241-1050

Senate Standing Committee on Health
Chair: Senator Kemp Hannon
and Senate Standing Committee on Insurance
Chair: Senator James L. Seward
Place: Room 124, State Capitol Building, Albany, New York
January 6, 2016

Mount Kisco Medical Group (MKMG)

Mount Kisco Medical Group (MKMG) takes care of over 500,000 patients throughout the Hudson Valley. MKMG is a multi-specialty medical group that provides the highest quality medical care in 40 different locations throughout the Hudson Valley. Founded in 1946, MKMG has grown to over 425 physicians, 525 providers representing 40 different medical specialties with major campuses in Mount Kisco, Carmel, Fishkill, Jefferson Valley, Katonah, Kingston, Poughkeepsie and Rhinebeck. MKMG is affiliated with world class organizations: the Massachusetts General Hospital, Mount Sinai Medical Center and Memorial Sloan Kettering Cancer Center. MKMG has on-site laboratory and radiology services, as well as endoscopy and infusion suites, ambulatory surgery canter, and 7 urgent care centers. All rendering comprehensive care in one convenient location.

MKMG has actively participated in New York State's Exchange programs and the national Affordable Care Act. MKMG has pledged its support for Shared Savings Programs, the goal of which is to improve patient outcomes and increase the value of care via the triple aim: better care for individuals; better health for populations; and lowering growth in health care costs. MKMG is participating in a care coordination program called the Accountable Care Coalition of Mount Kisco; part of the first wave of Medicare Shared Savings in the Country. As a result, they participate in state and federal government health reform programs, MKMG is steadfast in its commitment to voluntarily meet performance standards on quality of care while putting our patients first. MKMG has been a level 3 Medical Home(the highest level).
Finally, our physicians are frequently recognized as Best Doctors in respected publications such as Westchester Magazine's Top Doctors, Best Doctors of America® and Top Doctor Honors.

Impact Of Health Republic on MKMG

As of today, over 13,000 patients with Health Republic coverage have come through the doors of MKMG, representing over 6% of Health Republic's membership. With that level of membership, we have calculated that we will lose millions of dollars in revenue for services provided to Health Republic patients. Insurance reimbursements from Health Republic are lost not only for doctor visits, but also for surgeries, supplies, vaccines and chemotherapies. Many other ambulatory services and pharmaceutical products have has to be paid for by MKMG out of pocket.

Health Republic was the largest Exchange insurer in Westchester, Putnam, Dutchess, and Ulster counties and one of the top exchange plans in Rockland and Orange. However, family premiums were below market and the insurer had an unsustainable business model with steep operating losses and mounting debt. Yet MKMG continued to honor its contract with Health Republic to ensure that any of our patients insured by this failing carrier, would continue to receive medical care. Our first obligation is to our patients. Even when the State Department of Financial Services (DFS) told Health Republic in November 2015 to stop paying claims, MKMG continued its obligation to provide excellent patient care. Now the State must share how it will remedy this matter – both retrospectively as well as prospectively – and honor payment for services rendered in good faith by all providers harmed by this failure.

Since MKMG is a medical group, this loss directly impacts our doctors' income. Our physicians feel very frustrated and wonder how this could have happened. Equally important, they are concerned that other similar programs might also fail, creating further anxiety and income loss.

Remedies for Health Republic

Exploring all options for immediate payment of money owed by Health Republic is essential. The state must protect physician groups and other providers from future insolvencies. Without an immediate State intervention that renders payment for services delivered in 2015, providers will have serious concerns about our ability to absorb the consequences of such a tremendous financial loss, and have concerns about future participation in like programs. It is wrong to expect doctors to work and provide services without the benefit of fair compensation.

Conclusion

Perhaps most importantly, despite knowing payments from Health Republic would not be forthcoming, MKMG and all physicians took care of all the patients who entrusted their care with us. There is nothing more important to us then the mission to serve our patients. Despite the angst of hundreds of our individual physicians, MKMG remains committed to providing care to exchange patients.

The physicians at MKMG, along with all the other providers who have been adversely impacted by the demise of Health Republic must have secure funding for payment of services that have rendered in good faith to the patients of Health Republic. The State must lead the way to finding a solution to this significant problem, and safeguard the viability of the system to prevent a disruption of this magnitude from happening again.

DR. MALDONADO STATEMENT FOR SENATE HEALTH REPUBLIC ROUNDTABLE

On behalf of the Medical Society of the State of New York, thank you Senator Hannon and Senator Seward, as well as the Health & Insurance Committee members, for inviting us to participate in today's roundtable examining the demise of Health Republic, discussing solutions to minimize its adverse consequences, and working to prevent similar events in the future.

Physicians throughout the State along with their patients have been affected by the consequences of the collapse of Health Republic. Health Republic represented a healthcare reform initiative, namely, the consumer oriented and operated plan. It is the 12th such co-op to fail since the introduction of this health insurance reform effort several years ago. Its growth and market share represented a significant response by government, employers, providers and consumers to the lack of access to care for a sizeable portion of New York's uninsured residents. Thus its failure not only represents a loss in reform initiatives available to providers and patients but also a loss in reimbursements for medical services rendered as well as confidence that government sponsored reform initiatives are worthy of future support.

We commend NY State's Departments of Financial Services and Health staffs for their extensive efforts to facilitate Health Republic-insured patients in transitioning to other health insurance products. Throughout the Fall of 2015, MSSNY leaders worked with these officials to address the questions and concerns of both physicians and patients as they sought to address the problems created by the failure as this relates to continuity of care for patients. Now, for physicians, the critical question remains how to move forward with medical practices which are owed monies in sums ranging from thousands to millions. For many of these physicians, the losses jeopardize flailing practices. For others, it represents a horrible failure which is internalized as a bad business decision in supporting government sponsored healthcare reform. The certain negative impact of a failure to make whole medical practices which have supported health reform by participating in the Health Republic reform offering cannot be overstated.

We have heard from numerous practices which have indicated that they are owed millions of dollars in outstanding claims, including 5 medical practices in the Lower Hudson Valley that together are owed over $12 million. Several months ago, MSSNY, with the input from several specialty societies, developed a survey which made inquiry of physicians regarding the impact of the Health Republic debacle on their practices and care provided to patients. The survey had close to 1,000 respondents. The survey showed 42% have outstanding claims to Health Republic, of which:

- 11% are owed $100,000 or more;
- 20% are owed $25,000 or more; and
- 49% are owed $5,000 or more.

In addition to these tangible financial consequences, there is another consequence to physicians – fear of "being burned" again in what may be viewed as risky health care initiatives. I have heard from many physicians who are now expressing great reluctance to participate in other new health coverage initiatives, as well as reluctant to participate in other reform initiatives that hold out the promise of upside financial benefits but also could potentially put their medical practices at risk.

For these physician groups, the demise of Health Republic could not come at a worse time. Countless physician-owned practices have closed in recent years, with many of these physicians facing no choice but to become employees of large health care systems. For virtually every such practice, the cost of care is now higher for the same services being rendered by the same providers. For those practices that remain in independent private practice, they face an ever-tightening squeeze due to declining payments from other health insurers, while continuing to face extraordinary liability insurance cost burdens and other huge overhead costs associated with implementing new technologies such as electronic medical record systems into their practice workflow.

It is imperative that a safety net for patients enrolled in these plans and the physicians who provide the services be put into place. It is imperative for the success of the State's nationally recognized flagship SHIP, DSRIP and SHIN-NY initiatives that physicians be reassured that participation in State sponsored reformed initiatives will not leave them hanging dry when a failure such as Health Republic occurs. Failing to reassure physicians through a Guarantee or special fund initiative will send the wrong message to physicians as they consider their options going forward with upcoming reform initiatives. We strongly urge that the State of New York enact a Guarantee or other special fund to assure that Health Republic claims are paid should its assets be insufficient, and that this legislation be enacted in the opening weeks of the 2016 Legislative Session.

Thank you for your efforts to address this extremely troubling issue that is affecting the very stability of our health care delivery system, and I look forward to today's discussion.

ACCESS.
ADVOCACY.
Westchester County Association
ACTION.

Senator Kemp Hannon
Chair
New York State Committee on Health
430 Capitol
Albany, NY

January 5, 2016

Dear Senator Hannon:

I am writing to you as the President & CEO of the Westchester County Association. We are an advocacy-based business membership organization representing the leading multinational, mid-size and professional service businesses serving the Westchester County business community. Collectively, the Westchester County Association represents over 400 organizations who employ approximately 300,000 people.

Our main focus is on ensuring that Westchester and the region remains economically viable as a place to attract, retain and grow business and jobs. The key economic driver in our region is the healthcare/life sciences sector which collectively represents a $15 billion engine and employs close to 50,000. It is incumbent upon all of us to ensure that this sector remains financially sound as it is a major driver of economic growth.

We wish to express our deep concerns with the financial consequences to physician practices and patients across New York State as a result of the collapse of Health Republic. The collapse caused an estimated $12 million in lost payments to 5 large Hudson Valley physician groups as of December 2015. These 5 groups collectively employ 7,579. Hospitals across the State have over $100 million in uncompensated payments from Health Republic claims. This loss of capital has major negative impacts on these major employers in our community including:

- Negative impact on Major Employers in our Community
- Unanticipated and significant and detrimental impact on employed physician (business) organizations and incomes
- Negative impact on Debt Capacity and decreased ability to fund 2016 Capital Projects
- Increased pressure on Staff Salaries and increased potential for lower spending and reduced headcounts
- Possibility of increasing employee healthcare premiums in 2016
- Increased Reluctance to Participate in future exchange programs due to risk

The Health Republic model was unsustainable from the beginning and should have had much more State oversight. It is DFS' regulatory role to assure that health plans are financially sound when setting rates and not bow to political pressure to put forth an unsustainable product.

To provide some relief to our healthcare employers and ensure that a similar problem does not occur again, we recommend the following:

- A safety net for patients enrolled in these plans and the physicians who provide the services must be put into place
- Set up a guarantee fund to reimburse providers for all services rendered
  (physicians have been told to expect to receive only "modest payments")
- Use of state dollars (e.g. hundreds of millions in funds the state uses to bail out failing hospitals in New York)
- Legislation must be enacted in the opening weeks of the 2016 Legislative Session to prevent repeat of these consequences

Thank you for your efforts on behalf of the healthcare providers and patients of the Hudson Valley and we look forward to working with you to protect the stability of our health care delivery system.

Sincerely yours,

William M. Mooney, Jr.
President & CEO
The Westchester County Association

Economic Impact: Demise of

HEALTH REPUBLIC

INSURANCE OF NEW YORK

In the HUDSON VALLEY

ENT AND ALLERGY ASSOCIATES, LLP

ENTANDALLERGY.COM

MKMG

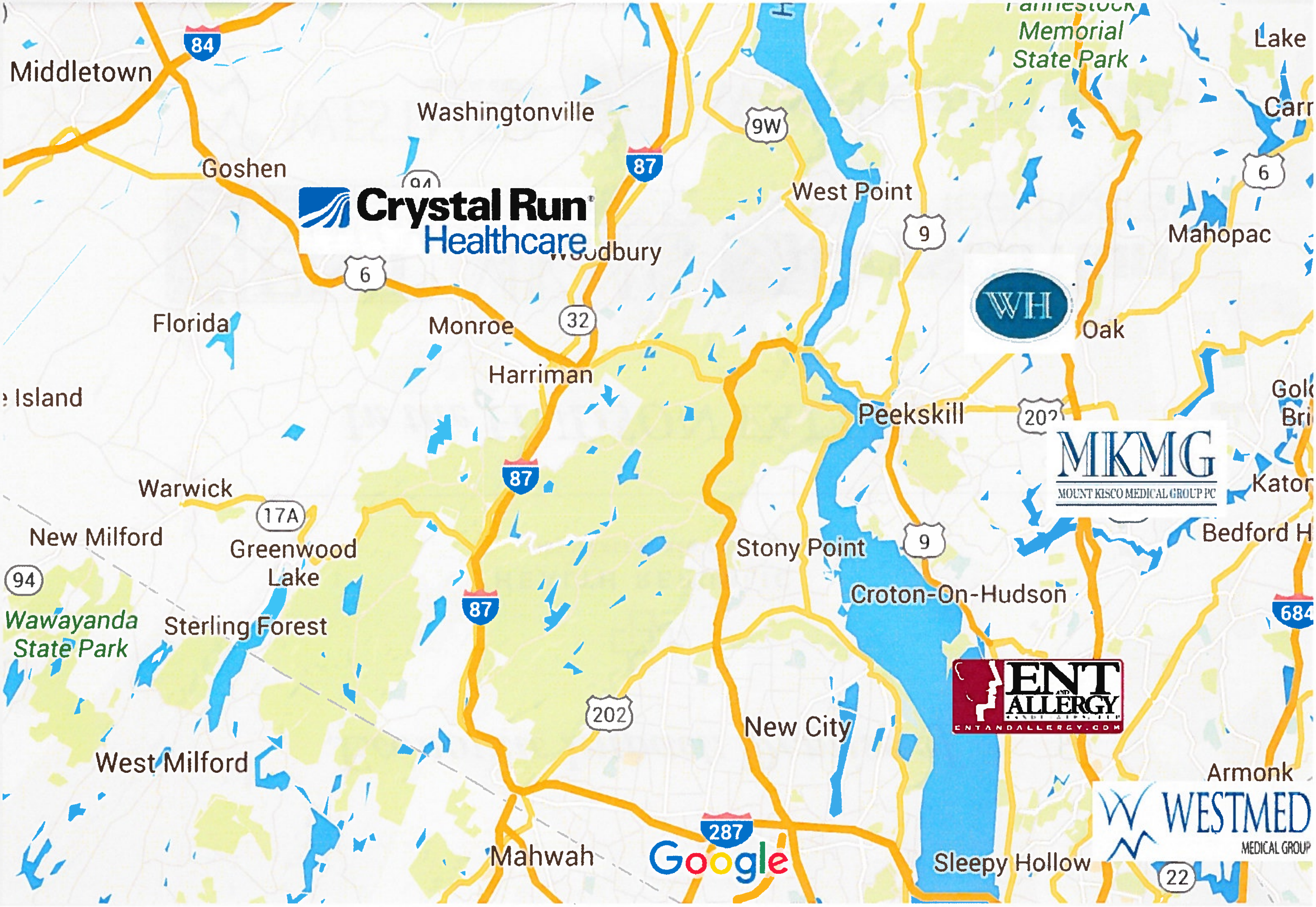
MOUNT KISCO MEDICAL GROUP PC

Crystal Run® Healthcare

WESTMED MEDICAL GROUP

WH Westchester Health

Corporate Headquarters in the Hudson Valley



Health Republic

- Started in Jan, 1 2014 and became the largest exchange plan in NYS due to attractive premium rates to consumers
- At its peak was insuring 215,000 members
- Largest exchange insurer in Westchester, Putnam, Dutchess and Ulster. One of the top exchange plans in Rockland and Orange
- Family Premiums were 25% to 30% below market
- No direct contracting. Using Magnacare as a TPA

Post Mortem on HRNY

Health Republic of NY was unsustainable for several reasons:

- **Below market premiums**
- **Unsustainable business model: steep operating losses, mounting debt, unanticipated costs**
- **Heavy reliance on a federal risk-management subsidy that failed to materialize**
- **DFS regulatory role to assure that health plans are financially sound while setting rates**

Protections for Health Republic Members Guaranteed

- *While we encourage Heath Republic customers to act as soon as possible to pick new insurance plans, this auto-enrollment option is critical to helping ensure a smooth transition to new coverage.*

  Donna Frescatore, Executive Director of New York State of Health November 2015

- *We are pleased to be able to partner with MetroPlus to support these patients at a time of need,"*

  Dr. Craig Thompson, President and Chief Executive of Memorial Sloan Kettering Cancer Center

❖ **Fidelis Care, Excellus BlueCross BlueShield and MVP Health Care automatically enroll Health Republic clients**

❖ **Doctors continue to take care of HR Patients with notice that there was no insurance coverage**

Greater Economic Impact and Consequences on **PHYSICIANS**

The collapse caused an estimated $12 million material adverse loss to the 5 large Hudson Valley physician groups in December 2015*

- **Negative impact on Major Employers in our Community**
- **Unanticipated and significant and detrimental impact on employed physician (business) organizations and incomes**
- **Negative impact on Debt Capacity and decreased ability to fund 2016 Capital Projects**
- **Increased pressure on Staff Salaries and increased potential for lower spending and reduced headcounts**
- **Possibility of increasing employee healthcare premiums in 2016**
- **Increased Reluctance to Participate in future programs due to Risk**

****** Outstanding payments owed to:*
Crystal Run, ENT & Allergy, MKMG, Westchester Health , Westmed as of 12/1/15

Economic Burden of Health Republic in the Hudson Valley (cont)

Practice	Anticipated Collections
Crystal Run	$12 Million
ENT and Allergy	
MKMG	
Westchester Healh	
Westmed	

Employees in the Hudson Valley

Practice	Employees and Physicians in the Lower Hudson Valley
Crystal Run	2,164
ENT and Allergy	610
MKMG	2,800
Westchester Health	505
Westmed	1,500
TOTAL	7,579

Westchester, Rockland, Orange, Putnam, Dutchess, Ulster, Bronx

Essential Repairs Needed Regarding Immediate Problem of Unpaid Health Republic Claims

- **A safety net for patients enrolled in these plans and the physicians who provide the services must be put into place**

- **Set up a guarantee fund to reimburse providers for all services rendered *(physicians have been told to expect to receive only "modest payments")***

- **Use of state dollars (e.g. hundreds of millions in funds the state uses to bail out failing hospitals in New York)**

- **Legislation must be enacted in the opening weeks of the 2016 Legislative Session to prevent repeat of these consequences**