Written by Raven Clabough on November 4, 2015

More ObamaCare Troubles: Low Enrollment, Failing Co-Ops

Just when ObamaCare defenders thought Healthcare.gov's recovery was a sign of blue skies ahead for the President's signature "achievement," reality continues to rear its ugly head. Last month, the Health and Human Services Department revealed that 2016 ObamaCare enrollment is dramatically lower than projected, and that half of those uninsured are between the prime ages of 18 and 34, the demographic that was expected to ultimately foot the ObamaCare bill. Now, Congressional lawmakers are also sounding the alarm on co-op failures that could result in the loss of coverage for thousands of Americans and the loss of billions of taxpayer dollars.

The premise behind the creation of the co-ops, or Consumer Operated and Oriented Plans, was to create competition on the exchanges, according to the Obama administration. Officials argued that the co-ops were a key to keeping prices affordable.

The co-ops were also introduced as a "compromise for liberals unable to secure the creation of a government-run insurance program," Fox News notes.

Reuters reported in 2013, "Created with $2 billion in government loans, some two dozen not-for-profit health co-ops are meant to provide consumers with more choice in the Obamacare exchanges against far larger players like Anthem Blue Cross Blue Shield and Aetna Inc."

But lawmakers repeatedly raised concerns about the repayment of the government loans, and questioned the solvency of the co-ops virtually since their inception.

And two years later, it's clear that their fears were well-founded. Fox News reports, "Nearly half of the 23 co-ops established under the Affordable Care Act have gone or are expected to go under by the end of the year."

Lawmakers are calling the rapid collapse of these co-ops a crisis, and have pressed the Obama administration to answer for it. According to Senators Orrin Hatch (R-Utah) and Lamar Alexander (R-Tenn.), nearly 870,000 people have enrolled in the co-ops that are failing to live up to expectations. "To date, eleven ACA CO-Ops — in Arizona, Colorado, Iowa, Kentucky, Louisiana, New York, Nevada, Tennessee, Oregon, South Carolina and Utah — have collapsed," the senators wrote to the Centers for Medicare & Medicaid Services.

An inspector general audit found that just one of the 23 co-ops — Maine's — made money in 2014, and that more than half of them were far behind in their enrollment projections. "As a result, hundreds of thousands of Americans will lose their health insurance plans and will have to scramble to find new plans, most likely with higher premiums and deductibles," the senators continued.

If ever an "I told you so" was appropriate, now would have to be the time.

In 2013, congressional Republicans wrote a letter to then-Health and Human Services Secretary Kathleen Sebelius asking her to explain the use of taxpayer dollars to launch the health insurance co-ops, and whether she could ensure that the money would be recovered.

And that was not the first time that members of Congress requested information regarding the Health and Human Services' co-op program, which has loaned money to non-profit health insurance issuers that offer health plans in individual and small-group markets. They also requested information in 2012, a point that lawmakers made in their 2013 letter to Sebelius.

"When we wrote to you in May 2012, we noted that there was little evidence that the CO-OP program would promote greater competition and lower costs in most state insurance markets, and we questioned whether HHS had significantly underestimated the financial risk," the lawmakers wrote Sebelius.

That similar line of inquiry persisted in their 2013 letter.

"Out of the $1.98 billion awarded to CO-OPs, what amount does HHS expect to be repaid? What is the period of time by which HHS expects these funds to be repaid?" were among the questions presented to Sebelius.

Health and Human Services now admits that the impractical expectations for the co-ops were in fact unrealistic.

Fox News reports that an HHS spokeswoman stressed that the start-ups "face a number of challenges, from building a provider network to pricing premiums in a new market, and unfortunately, not all will succeed."

The co-ops serve as further evidence that the federal government should let the free market handle competition, and not use taxpayer dollars to create false competition. In this instance the government chooses winners and losers even as it funds both sides, and the taxpayer dollars that are used to fund the losers are essentially wasted.

This point was not lost on Representative Kevin Brady (R-Texas), who chairs the health subcommittee. "Only in Washington would a group of bureaucrats think they knew how to micromanage `competition' instead of letting consumers and markets do what they do best," said Brady.

Meanwhile, Senators Hatch and Alexander are now demanding to know what can be done to salvage the taxpayer loans, and have articulated fears that federal officials may rely on "creative accounting" to make the co-ops appear more profitable than they are.

Fox New reports that they are asking CMS to provide possible solutions "for the recovery of funds from terminated co-ops."

Failing co-ops are the latest in a string of catastrophic ObamaCare developments. Another is falling recruitment. The *Wall Street Journal* reported last month:

> Recruitment for 2015 is roughly 70% of the original projection, but ObamaCare will be running at less than half its goal in 2016. HHS believes some 19 million Americans earn too much for Medicaid but qualify for ObamaCare subsidies and haven't signed up. Some 8.5 million of that 19 million purchase off-exchange private coverage with their own money, while the other 10.5 million are still uninsured. In other words, for every person who's allowed to join and has, two people haven't.

> Among this population of the uninsured, HHS reports that half are between the ages of 18 and 34 and nearly two-thirds are in excellent or very good health. The exchanges won't survive actuarially unless they attract this prime demographic: ObamaCare's individual mandate penalty and social-justice redistribution are supposed to force these low-cost consumers to buy overpriced policies to cross-subsidize everybody else. No wonder HHS Secretary Sylvia Mathews Burwell said meeting even the downgraded target is "probably pretty challenging."

Many of the non-enrolled Americans are those who fall into that gray area of those who have jobs but cannot afford the increased cost of ObamaCare's premiums. Many note that even with subsidies making premiums more affordable, the out-of-pocket expenses continue to be exorbitant, which means that even if they enroll in healthcare, they could not afford to actually use it.

Forbes reports that another "unexpected" ObamaCare problem is the failure of the so-called "Cadillac tax" to collect the revenue that was anticipated.

Sadly, the media does not take enough of an interest in these issues to report on them, and of course, the Obama administration counts on that. Breitbart News astutely observes that the media has selective hearing when it comes to these things:

> When greedy socialists are eyeing the takeover of an industry, complaints are broadcast loudly, and turned into a fundamental crusade for social justice, neutralizing the majorities who pronounce themselves content with the system by dismissing them as callous and selfish. But once the government takes control of a racket, not even the absurd injustice of young people forking over a thousand bucks a year in fines to avoid buying the government's crappy product merits moral outrage, and the parade of people mourning the loss of their superior pre-ACA coverage are told to pound sand.

The only hope for the American people is to elect a Congress that has the courage to follow the Constitution and get the government out of healthcare. And rather than resurrect that "Repeal and Replace" rallying cry, they will need to "Repeal and Restore" — restore the free market, that is.

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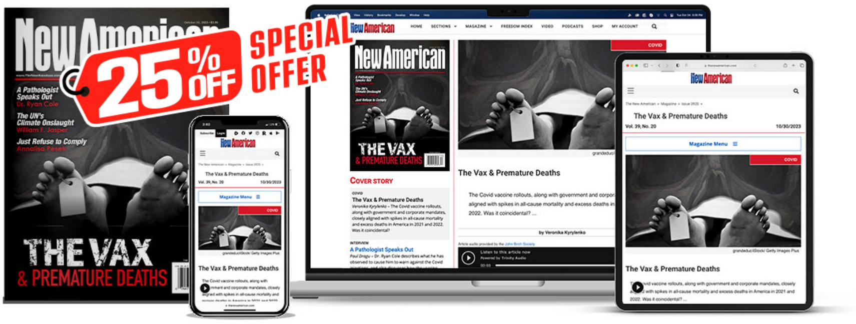

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