MEDICAL SOCIETY
of the
STATE OF NEW YORK

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MEMORANDUM IN SUPPORT

Governor Cuomo's Budget Proposal FY16-17

Collapse of Health Republic—Enact a Guarantee Fund

Governor Cuomo's proposed FY2016-17 budget fails to address a large gaping hole in health care community—one with far and wide reaching effects. At the time of its collapse, Health Republic, a consumer oriented and operated plan authorized by the Affordable Care Act and licensed to do business in the State of New York, had over 200,000 enrollees throughout New York State.

While consumers across the state have been adversely impacted by Health Republic's collapse, the New York State Department of Health ("NYSDOH") and New York State Department of Financial Services have helped to mitigate the effect on consumers by assisting affected enrollees in other Affordable Care Act authorized plans. As of January 25, 2016, NYSDOH reports that roughly 85% of former Health Republic enrollees have enrolled in other health insurance related products.

What remains to be addressed is the over $200 million dollars owed to health care providers for services already provided to former Health Republic enrollees. Critically important is how we move forward with medical practices which have become de-stabilized as a result of the monies they are owed, ranging from thousands to millions of dollars. For many physicians, the losses jeopardize flailing practices.

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.

What cannot be overstated is the certain negative impact of the failure to make whole the affected medical practices. These practices, which all long, supported health reform by participating in the Health Republic reform offering. When the closure of Health Republic was announced, MSSNY leaders worked with state officials to address the questions and concerns of both physicians and patients as they sought to address the problems created by the failure, many relating to the continuity of care for their patients.

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 physicians facing no choice but to become employees of large health care systems. In 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 huge overhead costs associated with implementing new technologies such as electronic medical record systems into their practice workflow.

We call upon New York State to enact a guarantee fund, or a similar mechanism, for health insurers. Currently, *All life insurance companies*, with limited exceptions, licensed to write life and health insurance or annuities in the state are required to be members of the state's Life Insurance Company Guaranty Corporation of New York. If a member company becomes insolvent, the state guaranty association obtains money to continue coverage and pay claims from member insurance companies writing the same line or lines of insurance as the insolvent company. In New York State, many health insurance policies, including those of Health Republic, are not *written by* life insurance companies, but rather by *accident and health insurance companies.* **Inexplicably, New York State is the only state without a guarantee fund for health insurers.**

Failing to reassure physicians that their practice revenue will be protected when an insurer fails through the enactment of a guarantee 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 determined insufficient to pay outstanding provider claims, and that this legislation be enacted in the opening weeks of the 2016 Legislative Session.

For all of the reasons stated above, we strongly urge that the Legislature enact a guarantee fund or similar mechanism.

Respectfully Submitted,

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