

June 23, 2017

Minuteman eyes new status beyond health exchanges

By Jessica Bartlett

Minuteman Health is looking to re-establish itself as a new kind of insurer come next year, shedding its much-maligned brand as a creation of Obamacare and, with it, the rules that govern to whom it can offer insurance under the federal government's cooperative insurance program.

Minuteman, which also operates in New Hampshire, would operate as Minuteman Insurance Co. as of Jan. 1, pending state approvals. The change would allow the insurer to enter markets that aren't subject to Obamacare rules that force Minuteman to share revenue with competitors.

"Our model we know works - focusing on efficient providers delivering value," said Minuteman CEO Tom Policelli. "And we know some of these federal rules have not worked. What we need to do in order to free our model is to do it through an entity that's not subject to at least some of those federal rules."

Namely, Minuteman will shift its focus away from membership comprising individuals and small businesses on public health exchanges, and would look to grow membership by selling insurance to large employers and self-insured companies that need administrative insurance work.

Both Massachusetts and New Hampshire insurance regulators still have to approve the change, but deadlines loom. Policelli said the deadline for submitting paperwork to function on the exchange under the new insurance brand in 2018 is Aug. 16 for New Hampshire, and Sept. 1 for Massachusetts.

What's critical, Policelli said, is unlike the individual and small-group markets, these newer segments aren't subject to an Obamacare rule known as "risk adjustment."

Risk adjustment, which redirects revenue from insurers with relatively healthy members to insurers with sicker and costlier members, was meant to prevent insurers from only catering to healthy people. But several Massachusetts insurers have criticized the formula used to determine the health of members, saying it has forced them to give millions of dollars to their competitors and raise premiums.

Minuteman itself has given \$3.1 million to its competitors in 2014 and \$6.4 million in 2015. 2016 payments will come due this summer. And as a co-operative, Minutemen isn't allowed to

offer enough of its insurance in more lucrative markets to offset the losses that have come from risk adjustment.

"As a co-op, there is a rule that you must be in those (individual and small group) segments, and you see carriers bailing on those segments," Policelli said. "The second part is you have to be mostly in those segments, so you can't expand much beyond that. Once you're hit by risk adjustment, you're told you have to stand in the corner and we'll keep hitting you. Risk adjustment remains an issue, but at least the new company doesn't have to stand in the corner and keep getting hit."

The announcement is the latest knock on the Affordable Care Act which established co-op insurers with \$2.4 billion in federal funds in 2014 as a means to carry out Obamacare's most intrinsic goals: to sell health insurance on state exchanges offering narrow networks and affordable premiums. But 16 of the 23 co-ops have folded, and with it the federal funding that helped start them.

Minuteman itself has received a \$25 million loan from the federal government, and \$129 million in surplus notes.

Minuteman still has \$112 million in cash on hand, but it has drawing it down as risk-adjustment payments loom and federal reimbursements have fallen through.

Policelli said leaving the co-op program would enable Minuteman to chase more growth without having to give away revenue it takes in from those premiums. Yet the insurer would still offer insurance to people on the exchanges, and would cater to its existing members.

"It would be the same logo and everything, we'd just avoid risk adjustment where we can," Policelli said.

From the Boston Business Journal:

<http://www.bizjournals.com/boston/news/2017/06/23/minuteman-eyes-new-status-beyond-health-exchanges.html>