



Weekly Checkup

17 Co-ops Have Failed After Receiving Nearly \$2 Billion in Taxpayer Financing

TARA O'NEILL HAYES | SEPTEMBER 14, 2016

Included in the Affordable Care Act was \$2.4 billion in grants and loans for the establishment of consumer operated and oriented plans (co-ops). These co-ops were intended to provide consumers in each state with alternative sources of health insurance in the individual market, increasing competition beyond the few long-standing nation-wide insurance companies. With this money, 23 co-ops were formed across the country and began selling insurance in 2014. However, as AAF has [detailed](#) the [co-ops](#) have been nothing short of a [disaster](#). In less than three years, [17 have collapsed](#). At this point, it would be surprising if most of the six remaining co-ops do not follow suit. All of the co-ops lost money in 2015, and those six still in operation had an [average profit margin](#) of -51 percent last year after accounting for risk adjustment payments. Compounding the problem, the Centers for Medicare and Medicaid recently [announced](#) that all money received through the [risk corridors program](#) in 2015 will be used to back-fill the 87.4 percent of risk corridor payments owed that were unable to be paid to plans for the 2014 plan year because of a lack of sufficient funds. Thus, while current taxpayer losses for these co-ops stands at \$1.82 billion, that number is likely to climb throughout the next year.

