

InHealth Mutual stays buoyant in face of red ink

Mar 18, 2016, 6:00am EDT

INDUSTRIES & TAGS Insurance, Health Care

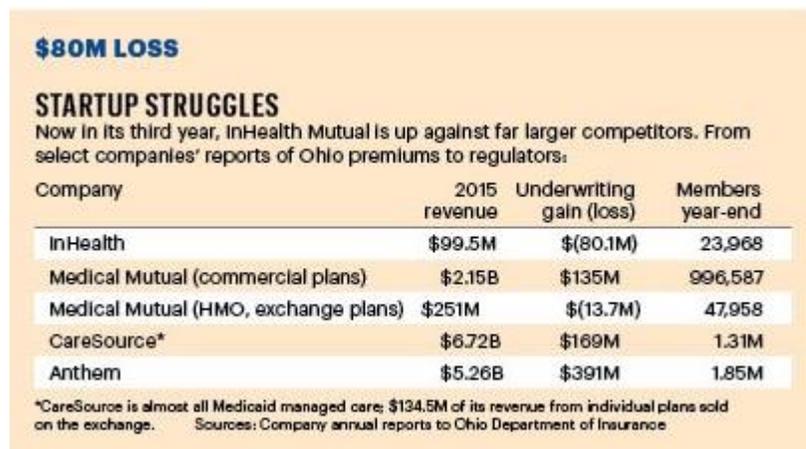
Carrie Ghose

Staff reporter
*Columbus Business
First*



InHealth Mutual, Ohio's nonprofit insurance cooperative created under the Affordable Care Act, recorded an underwriting loss for 2015 of \$80 million, which includes \$32 million set aside for its expected shortfall on premiums this year.

Still, executives were upbeat about a turnaround during an interview with *Columbus Business First*, forecasting positive cash flow in 2018.



InHealth and other Ohio health plans offered on the exchange, 2015

JOHN LAUER

The 2-year-old insurer has a \$34.5 million capital cushion remaining – plenty if its actuaries correctly projected this year's shortfall. But losses cannot continue at this pace beyond that.

InHealth has raised premiums – 15 percent on individual coverage and 11 percent on group plans – and launched disease-management programs that already are reducing medical claims.

"I don't believe this co-op is in danger," said [Chris Larkin](#), CFO and COO of Coordinated Health Mutual Inc., which operates as InHealth. "If we are perfect in our estimate, that (remaining capital) should be there at the end of 2016."

InHealth is among 11 survivors from 22 nonprofit co-ops created under an Obamacare loan program. It received a \$16 million federal loan for startup costs, for which payments start in 2017, and a \$113 million loan to cushion expected losses on premiums. It has used all but \$2.8 million of the second loan, which it expects to draw midyear. Principal payments for the second loan start in 2026.

"A lot of these struggles are no different than any other insurance company – and for that matter a startup business outside the insurance industry," Larkin said. "There are challenges trying to get to scale. For me personally, I enjoy building a new smaller organization."

The federal Centers for Medicare and Medicaid Services placed InHealth under “enhanced oversight” last summer, and Larkin said the company is in frequent communication with the regulator. The agency declined a request for comment on InHealth’s condition.

InHealth sold mostly small-group employer insurance in 2014 and last year entered the federally subsidized Health Insurance Marketplace for individual coverage, commonly called the exchange. Losses on those solo policies for 2014 are what sank many other co-ops that debuted earlier.

Enrollment at InHealth more than tripled to 24,000 from 6,700, and most sign-ups were at the beginning of 2015, meaning more premiums. Revenue increased nearly sevenfold to \$99.5 million.

Larkin said enrollment gains are meeting expectations this year, too.

InHealth set premiums for 2015 based on projections from actuary Milliman Inc., but medical claims in the second half of the year far exceeded expectations, including some organ transplants. InHealth wasn’t alone: Cleveland-based Medical Mutual of Ohio recorded a \$13.7 million underwriting loss at its subsidiary that sells on the exchange.

“Our losses do translate into people having their health issues rectified and taken care of,” Larkin said. “Under the old law they couldn’t be insured. Now those people are getting treated.”

With outreach to get patients into preventive programs, hospitalizations for diabetic members fell 45 percent and those with asthma had 62 percent fewer ER visits, said Dr. Bobbie Freeman, chief medical officer for the insurer. Actuaries now have better data, she said.

“I’m really much more comfortable that Milliman may have nailed this much better this year,” she said.

Carrie Ghose covers health care, startups and technology for Columbus Business First.