Fiscal Highlights

Arches Health Plan Costs and Burdens - Andrea Wilko

In October 2015, Arches Health Plan, a non-profit health insurance co-op created following the Affordable Care Act, received much less in federal "risk corridor payments" than anticipated and was placed in receivership by the Utah Insurance Department for insolvency. Arches owes $34 million in outstanding claims and has $22 million in remaining assets. Much of the $12 million shortfall is owed to hospitals across the State. There are 70,000 claims against the existing assets.

The Department of Insurance detailed the insolvency process for the Executive Appropriations Committee in its September meeting. Utah law has a specific process for dealing with insolvency which the Department of Insurance will use. The goal of the Department is to maximize the payments and distributions to policyholders and claimants. Based on the priority of the distributions, the healthcare providers and hospitals sit in second position, behind only the costs to preserve, recover, and distribute the assets of Arches. The Department of Insurance plans to keep the costs to administer the insolvency at a minimum to ensure that they maximize the funds going back to the claimants.

The third party administrator is currently processing 6,000 explanation of benefit claims a week. All claims should be processed by the end of the year. The department allows 45 days for claimants to object to the explanation of benefit. This process should be complete by the end of March 2017.

The statutory process has been complicated on the Arches issue due to the Department of Justice's involvement. The Department of Justice appears to have jumped the line on claims. This issue is in litigation in several other states' insolvencies. The Department of Insurance will continue to keep the Legislature apprised of the impacts this issue might have on stakeholders.