

# Northwell Health to leave insurance market, shut down CareConnect

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CareConnect, the health insurance subsidiary of Long Island-based Northwell Health and the first provider-owned commercial health plan in New York state, recently announced it will shut down and withdraw from the state insurance market in 2018. The company's offerings were popular in Westchester County, but CareConnect said a costly provision in the Affordable Care Act and policy uncertainty in Washington put it out of business.

The company said it will wind down operations over the next year. In the meantime, CareConnect will still pay claims and provide service to members as well as assist policyholders transferring to other health plans.

Launched in 2013 by Northwell, formerly the North Shore-LIJ Health System, CareConnect is the state's first provider-owned commercial health plan. Northwell Health is the state's largest health care provider with a network of 22 hospitals that includes Northern Westchester Hospital in Mount Kisco and Phelps Hospital in Sleepy Hollow. CareConnect insures 125,000 people and employs 200.

In its announcement, Northwell Health President and CEO Michael J. Dowling pointed to uncertainty in health care policy at the federal level for the company's decision to leave the markets set up under the Affordable Care Act.

"It has become increasingly clear that continuing the CareConnect health plan is financially unsustainable, given the failure of the federal government and Congress to correct regulatory flaws that have destabilized insurance markets and their refusal to honor promises of additional funding," Dowling said.

CareConnect also has long argued that it is unfairly penalized by an ACA provision known as risk adjustment. Risk adjustment payments require carriers with particularly healthy customers to transfer money to carriers with relatively unhealthy populations.

The payments are designed to prevent insurers from going after only the healthiest customers. CareConnect argues, however, that flaws in the method of calculating the payments force smaller insurers to subsidize larger ones. Northwell when announcing CareConnect's closing said that the formulas favor established insurers with more in-depth patient histories.

This year, CareConnect was hit with a \$112 million risk adjustment bill for its small group insurance market offering on the New York State of Health exchange, which it said was about half of its small group revenue. The company said it would have been profitable without the payment and was expecting to face another risk-adjustment payment of more than \$100 million next year.

CareConnect previously cited the payments as its reason to raise premium rates on its small group market plans for 2018. The company requested a rate increase of 19.3 percent, which the state later decreased to 15.5 percent.

"The continuing uncertainty in Washington about the future of the ACA, intractable regulatory problems and the federal government's broken promise of so-called 'risk-corridor' payments to insurers provide us with no viable path to profitability in the foreseeable future," Dowling said.

Northwell Health must now submit a withdrawal plan to the state Department of Financial Services, which regulates New York's insurance market. The health care provider said CareConnect employees will keep their jobs during the transition. Northwell will also try to find positions for them within its health care system.

CareConnect covered more than 13,600 people in Westchester County, according to a Northwell spokesperson.

That includes 2,130 Westchester residents who bought qualified individual health plans on the state exchange last year, about 15 percent of the county market, according to state data. CareConnect also covered 227 employees of Westchester companies on the state's small group exchange, capturing about 75 percent of that market in the county.

Outside of the state exchange, CareConnect provided a popular option for small businesses in Westchester County.

James P. Schutzer, vice president at J.D. Moschitto & Associates Inc., a White Plains benefits consulting firm, said it's unfortunate to see the company go. CareConnect, he said, carved out a niche in Westchester's small business market by building a network with large physician groups in the county, including WestMed Medical Group, CareMount Medical and Westchester Health Associates.

CareConnect's network also includes White Plains Hospital through the Montefiore Health System, Greenwich Hospital through Yale New Haven Health and Northwell's own Phelps and Northern Westchester hospitals.

"When you tie that all together, you have a strong provider network, good physician choice and some of the key hospitals in the county," Schutzer said. "For the small employers, it was attractive. The pricing was attractive as well."

CareConnect is also one of three companies offering plans to small businesses on the private HealthPass New York exchange. The company offered six plans on the exchange to companies with between two and 100 employees.

The withdrawal of CareConnect leaves Westchester with six insurers approved to sell plans in the state's individual market in 2018 and three carriers for the small group market.

"In spite of recent federal efforts to destabilize markets and threats to dismantle or not enforce the ACA, New York's health care market remains robust and consumers across New York have real choice of coverage," said state Department of Financial Services Superintendent Maria T. Vullo following CareConnect's announcement. "DFS will work with CareConnect on an orderly transition to ensure that all of its members know their full options and continue to receive health care coverage without interruption."