



2009 National Health Care Reform Debate- Health Insurance Cooperatives: A Path to Bipartisanship?

Political Landscape: How to expand affordable health care coverage to all Americans is at the center of the health care reform debate in Congress and is increasingly becoming a “deal breaker” issue. Liberal Democrats are in favor of a broad government-run public plan option, along the lines of Medicare, and Republicans and more moderate Democrat lawmakers favor utilizing the current market-based system but providing greater ability to access the private system with the use of tax credits and government subsidies. In the face of political fracturing and partisanship, members of the Senate Finance Committee, led by Senator Kent Conrad (D-ND), recently developed an alternative plan for consideration to help resolve this controversial policy issue -a non-profit “co-op” cooperative health insurance exchange. . The proposal would provide seed money for “Consumer Owned and Oriented Plans.” The Health and Human Services secretary would make grants and approve business plans for the cooperatives in consultation with an advisory board.

In contrast to a government “owned” and operated public plan that would compete against the private insurance market, the cooperative plan would be owned by policy holders and would be independent from the government after some initial start-up help, and also would compete with private insurers but on a level playing field with all plans playing by the same rules.

At this point, the cooperative would stop short of an individual or an employer mandate to offer health care coverage, which more liberal Democrats have talked about as a crucial component of their “shared responsibility” pact that people should be required to have coverage, and employers should be required to offer it or help subsidize it. .

The exchange — basically a national or regional marketplace for people to buy coverage outside of the traditional employer-sponsored market — would offer four levels of plans: “platinum,” gold,” “silver,” and “bronze.” To participate in the exchange, insurers would have to offer plans in at least the “silver” and “gold” categories. The names for the categories designate how much the plans would cover, with “platinum” being the most extensive.

How It Works: This is a new model for consideration so there is an information void in terms of the specific operational details and design.

- Senator Conrad's model appears to be suggesting that health insurers who are organized as cooperatives and competing against other types of insurers, on the same terms and under the same rules.
- The Senate Finance plan specifies that a temporary tax credit to provide coverage would be available to firms with fewer than 25 employees and average wages below \$40,000 to access the open market until a state exchange is established to enroll individuals and small groups in insurance plans. Seemingly the cooperative or exchange could be created from scratch or through the conversion of an existing insurer.
- Once the exchange is established, a small business tax credit would be available for five years to new businesses and firms newly offering coverage to workers through the exchange.
- States would have the option of creating multiple, competing exchanges after five years with the approval of the secretary of Health and Human Services. Exchanges must be self-sustaining under the proposal.
- A level playing field is essential. If Congress were to adopt such an approach, it would have to ensure that the cooperative was a genuine competitor in the insurance market, not another government-sponsored enterprise that would undercut choice and competition. Moreover, as with any other entity in the marketplace, it would need to compete on a level playing field with no special tax or administrative advantages, including special taxpayer subsidies or government financial guarantees.

Considerations for Coalitions and Employers:

Much is contingent on whether the cooperative is a national plan with standardized regulations and tax provisions or a myriad of state and regional cooperatives.

ERISA Infringement?: Cooperatives, though seeded by government funding and grants, would be state-based and mostly likely state-regulated, which likely could present ERISA infringement issues for large, multi-state, self-insured employers.

National vs. Multi-State Cooperative: One option up for discussion is for there just to be one national cooperative to achieve the established critical mass of around 500,000 covered lives. That would give it the heft and weight to compete against other plans, as well as bargain with hospitals and providers. However, according to information released by Senator Kent Conrad's (D-ND), who is leading this debate in the Senate, his proposal establishes multiple state or regional health insurance cooperatives. Multiple cooperatives, operating as non-profit health insurance plans, would lack the market leverage to bargain for lower prices, but an independent national program could attract large numbers and substantial market share to exert significant purchasing power.

Coalitions as Co-op Conveners?: In the case of health insurance markets, there are two areas where the cooperative model could conceivably be applied. The first is with respect to entities that might organize the buying and selling of health insurance, such as employer purchasing groups or state health insurance exchanges. The second is applying the cooperative concept to one or more of the insurers selling coverage in the market.

Focus on Value & Consumers: Because these plans will be owned by their members, they will focus on getting the best value for consumers, rather than maximizing plan revenues or profits. Also, the cooperative model utilizes the tools of the marketplace to address the health care reform principles of choice, quality and cost control. The co-op structure was offered because it fulfills at least some of the goals of both sides of the debate. It is a competitive delivery model that could compete with private, for-profit insurance companies, but at the same time it is membership-owned and controlled, not government-run.