



Federal Consumer Operated and Oriented Plans (CO-OP): What It Could Mean for Rural America

State Access Health Reform Evaluation
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Consumer Operated and Oriented Plans (CO-OP)

- Unique opportunity right now to develop new health care CO-OPs
 - Congress has provided \$3.8 billion in grants/loans to finance up front CO-OP business planning and capitalization
 - Focus on serving individuals and small employers
 - Funding is available to Rural America
 - Rural America is already familiar with cooperative business model
 - Ability to partner with other CO-OPS to achieve efficiencies and economies of scale

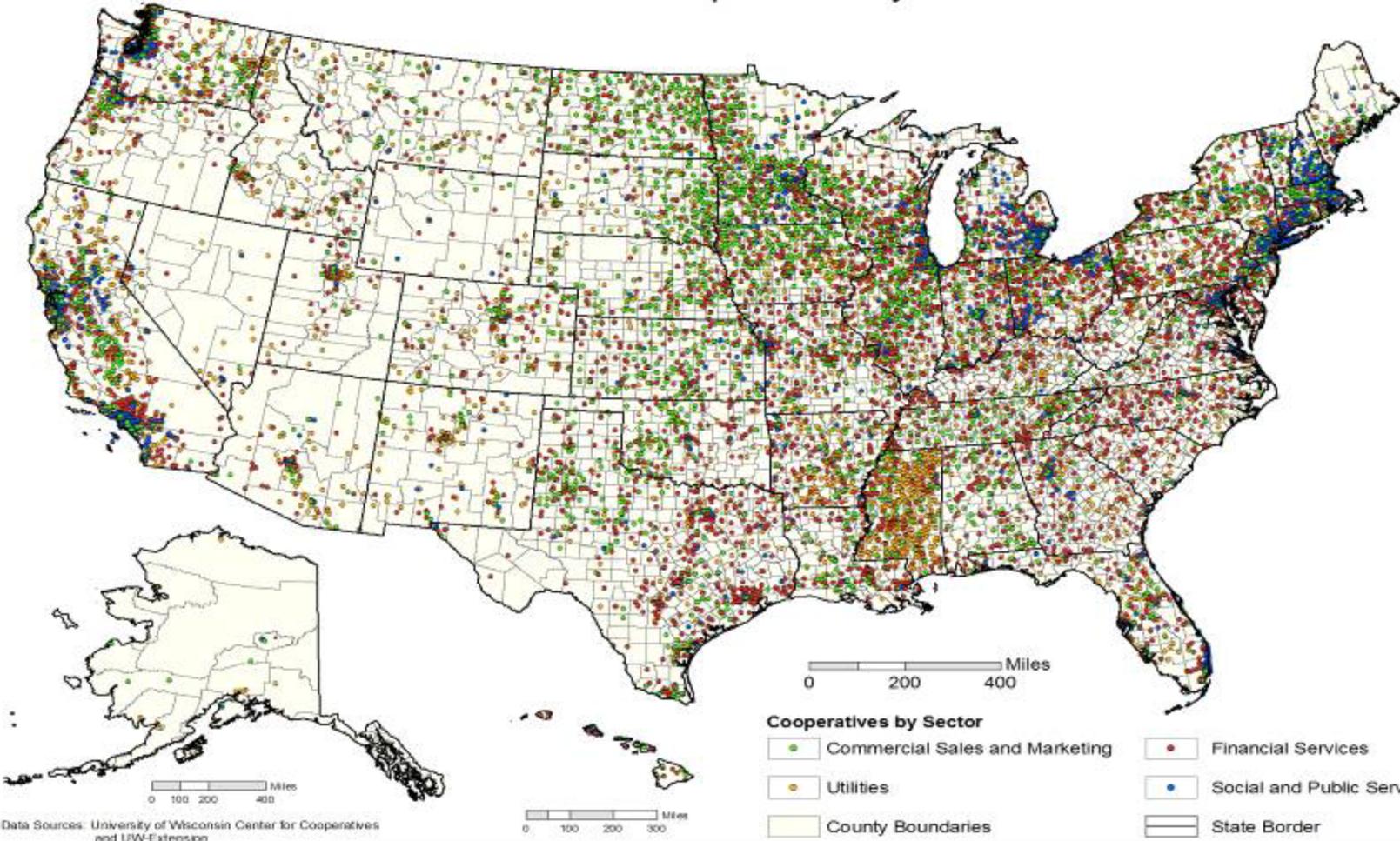
Why CO-OP Plans?

- CO-OPs combine the interests of the consumer, the health care insurer and health care practitioner together into one entity
- Creates health care competition
- Can help maintain rural health care infrastructure
- Successful health care cooperatives already exist in Minnesota, Wisconsin and Washington State
 - Serve parts of Rural America
- New CO-OPs are under development to serve Rural America

CO-OPS – Legal Authority

- Federal CO-OPs under Section 1332 of the Affordable Care Act
 - May be organized as either nonprofit health care plans or as health care cooperatives
 - Flexibility depends on state corporations and insurance laws
- Can potentially organize under another state's corporation statutes if no state insurance barrier
 - One of the most comprehensive state laws is Wisconsin Statute Chapter 185's
 - Explicitly authorizes creation of health care cooperatives
 - Modernized by Legislature in 2010
 - Colorado Statutes Chapter 10-16-1001 (*Insurance*)
 - Some states are enacting new health care cooperative laws (Minnesota, Illinois, etc.)

Distribution of Cooperatives by Sector



Data Sources: University of Wisconsin Center for Cooperatives and UW-Extension

Cooperatives in the USA

- More than 47,000 cooperatives
- Serve 120 million out of 300 million Americans
- Revenue: \$652 billion
- Income: \$154 billion
- Wage and benefits: \$75 billion
- Employment: 2.1 million jobs

Health Care Cooperatives

- Four different types already in operation with more than 2.4 million lives:
 - **Staff Model HMO** (HealthPartners, Group Health Cooperative of Puget Sound, Group Health Cooperative of South Central Wisconsin, Group Health Cooperative of Eau Claire)
 - **Purchasing Reseller** (Healthy Lifestyles Cooperative of Brown County; Farmers' Health Cooperative of Wisconsin)
 - **Direct Purchasing** (Alliance Employers' Health Cooperative)
 - **Specific Product/Service** (WisconsinRx/National CooperativeRx and Rural Wisconsin Health Cooperative)

HealthPartners HMO

- Founded in 1957
- Integrated Care and Financing System
 - 11,000 employees
 - Medical Group – 400,000 patients
 - Nearly 800 physicians
 - Primary Care
 - Specialty Care
 - 35 medical and surgical specialties
 - Multi-payer
 - Hospitals: one 435-bed level I trauma center urban teaching hospital, two CAH hospitals, one community hospital
 - Non-profit health plan: 1.3 million members in Minnesota and surrounding states



Group Health Cooperative of South Central Wisconsin

- Began operations in 1976
- Organized under Chapter 185 of Wisconsin Statutes: "Cooperative Health Care"
- 65,000 members primarily in Dane County, Wisconsin (Madison) area
- Staff model HMO
- Maintains own clinics and employs own professional medical staff
- Contracts primarily for specialty care with University of Wisconsin Hospitals and Clinics
- \$260 million in annual gross revenues in 2010



Group Health Cooperative of Eau Claire

- Formed in 1974
- 85,000 members and growing
- Members located in 35 counties of Northwestern Wisconsin
- Annual gross revenue of \$280 million
- Commercial group practice and Medicaid managed care contract with the State of Wisconsin
- Contracts with over 10,000 clinicians and 40 hospitals



Group Health Cooperative of Puget Sound

- Founded in 1947
- 501c(3) cooperatively-governed not for profit corporation under Washington State law
- 650,000 members in Washington State and Northern Idaho
- 9,500 total employees
- Employ 1,000 physicians and contract with 6,000 more
- 30 owned and operated medical facilities; contract with 44 other hospitals



The Cooperative Difference: Awards and Recognitions

– HealthPartners HMO:

- Ranked 19th in the Nation according to the NCQA Health Insurance Plan Rankings 2010-11 (out of 227)
- Highest rated Minnesota health plan in overall consumer experience according to a survey by the Consumer Assessment of Healthcare Providers and Systems (CAHPS)
- NCQA gives HealthPartners its highest possible “Excellent” rating

– Group Health Cooperative of South Central Wisconsin:

- Ranked 7th in the Nation for private health insurance plans by NCQA for 2010-2011 (out of 227)
- Ranked in the top ten in the country for five years in a row from NCQA
- Rated by NCQA as the top ranked private health plan in Wisconsin for 2010-2011

The Cooperative Difference: Awards and Recognitions

- Group Health Cooperative of Eau Claire:
 - NCQA Member Satisfaction Survey Leader in Your Industry ranking 7 Years running.
 - Fully Accredited by Accreditation Association for Ambulatory Health Care (AAHC)
- Group Health Cooperative of Puget Sound:
 - NCQA has ranked Group Health Cooperative's commercial health plan as No. 48 in the National Committee for Quality Assurance's (NCQA) Private Health Insurance Plan Rankings for 2010-2011 (out of 227)
 - NCQA has ranked Group Health cooperative as the highest ranked commercial health care plan in the state of Washington
 - In a recent study by J.D. Power and Associates, Group Health ranked "Highest in Member Satisfaction among Commercial Health Plans in the Northwest Region, Two Years in a Row."

HHS Grant Review Process

- Planning and Solvency Loan application deadlines:
 - October 17 and December 31, 2011
 - March 31, June 30 and September 30, 2012
- Can seek up to \$100,000 for planning loans
- Currently expecting 15 – 20 applications from around the country
- Stated Section 1332 goal is for at least one application from each state
- Strong regional proposal will be prioritized over weaker statewide proposal

HHS Grant Review Process

- CO-OP's can initially contract for services:
 - Front and back office activities
 - Hospital and physician networks
- CO-OPs are seeking to share some services through “private purchasing councils”
 - Actuarial studies (Milliman)
 - Re-insurance
- Evolutionary process

CO-OPS – How to Get Started

- Determine if there is a local need
 - Is the local market competitive or monopolistic?
 - What are the local rates of uninsured and under-insured?
- Develop formative leadership team
 - Seek out those who have a passion for health care issue
 - Seek broad strategic thinkers as well as those who focus best on tasks
 - Seek those who have needed expertise in the provider and insurance markets
 - Determine who can ensure tasks are identified and accomplished
 - Leaders will likely become the formative board
 - Difficult to solely run on volunteers

CO-OPS – How to Get Started

- Determine if there are local funding sources (i.e. local community foundations, etc.) to help obtain:
 - Legal
 - Actuary
 - Plan development
 - Network development
 - Infrastructure (front and back office functions)
 - Marketing

CO-OPS – How to Get Started

- Connect early with state insurance regulators
- Connect early with HHS staff – make initial introduction to get on radar screen
- Connect with local elected officials where necessary
- Seek assistance of local cooperative development centers
- Manage expectations

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