

# A TOOLKIT: HEALTH INSURANCE COOPERATIVES

*An Alliance for Health Reform Toolkit  
produced with support from the Robert Wood Johnson Foundation*

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## **Key Facts**

- A consumer health insurance cooperative is an entity owned by the people receiving coverage through the company.<sup>1</sup>
- Other cooperative business models do exist but are not currently being discussed in health reform proposals, including purchasing, worker-owned, and producer cooperatives.<sup>2</sup>
- Supporters, for instance Senator Kent Conrad, believe that health cooperatives will provide consumers a way to get health care for a lower cost by negotiating as a group with providers. Since the consumers will own the company, any profits or savings could benefit the consumers in the form of lower premiums or expanded benefits as well.<sup>3</sup>
- Opponents, such as Republican Chairman Michael Steele, fear that the government support needed to establish these cooperatives will create an unfair market advantage over private insurers.<sup>4</sup> Another set of opponents, including Senator Jay Rockefeller, notes that cooperatives have not been adequately studied on a large scale.<sup>5</sup>
- Examples of successful health cooperatives include Group Health Cooperative in Washington State and HealthPartners in Twin Cities, Minnesota.<sup>6</sup>
- Examples of unsuccessful health cooperatives include Group Health Association in Washington, D.C. and Group Health Incorporated in New York City.<sup>7</sup>

## **Background**

As Congress approaches what may be the final stage of this year's health reform debates, legislators continue to search for creative solutions that will expand coverage and reduce costs with little impact on the federal budget.

One proposed solution – health insurance cooperatives – has received increasing attention as an alternative to a new public coverage plan. Cooperatives are businesses that are owned by members.<sup>8</sup>

A health insurance cooperative is owned and operated by the people receiving health coverage through the organization.<sup>9</sup> Since there are no shareholders, profits and savings in a health cooperative can generate reduced premiums or increased benefits for the consumer.

The first consumer health cooperatives emerged in the early 1900s.<sup>10</sup> Today, only five such cooperatives exist with a total membership of more than 2 million people. Group Health Cooperative of Puget Sound, founded in 1947, and HealthPartners of Twin Cities, founded in 1957, are consumer-owned cooperatives owned by their customers.<sup>11 12</sup> Each cooperative boasts over 500,000 enrollees.<sup>13</sup>

Members in both organizations have a voice in the governance of the organization through the election of the board of trustees.<sup>14 15</sup> In addition to providing their own insurance, HealthPartners owns 36 medical and specialty clinics and Group Health operates medical centers across Washington State and parts of Idaho.<sup>16 17</sup> Additionally, GroupHealth contracts with other providers in order to expand its area of coverage. The size and organizational structure of these organizations allow them to negotiate good deals with providers and suppliers and return savings to their members.<sup>18</sup>

HealthPartners and Group Health Cooperative have, along with other regional and local health cooperatives, already demonstrated high-quality integrated and coordinated care.<sup>19</sup> Additionally, cooperatives have the potential to provide cheaper insurance and more benefits, since they funnel back profits and savings to the beneficiaries instead of shareholders.<sup>20</sup> Analysts cited by proponents predict that cooperatives, if encouraged nationally, could capture as many as 12 million customers, making them collectively the nation's third-largest health insurer.<sup>21</sup>

Some sources say that given the appropriate regulatory framework, along with the necessary funding, health cooperatives can be sustained and provide effective health care as exemplified by international systems.<sup>22 23</sup> The creation of a national body for cooperatives with the ability to negotiate reimbursement rates could be helpful to their success, some analysts have recommended.<sup>24</sup> Additionally, proponents of consumer cooperatives say that it could be a system which focuses on patient-centered, performance-based payment for providers, helping keep costs under control as well.<sup>25 26</sup>

Opponents counter that establishing viable cooperatives that could actually help reduce the number of uninsured would require serious time and billions of dollars.<sup>27</sup> Currently, health cooperatives represent only about 1 percent of the health insurance market.<sup>28</sup> To create a health cooperative system that could significantly change the landscape would be a major undertaking.

Furthermore, opponents worry about the national scope of health cooperatives. The Congressional Budget Office report released October 7, 2009 notes that they would likely have no market presence in many areas of the country when trying to compete with private insurers.<sup>29</sup> Opponents fear that, to remedy this situation, health cooperatives would be given an unfair market edge through specific government intervention (for example, not being required to pay the income or premium taxes that current for-profit insurers pay).<sup>30</sup>

The federal government or state governments might be asked to substantially subsidize and oversee these cooperatives, opponents say. Through such subsidies, the cooperatives would be supported implicitly by taxpayers.<sup>31</sup> Once taxpayer money is used, there would be a natural incentive to ensure that the investment succeeded, giving cooperatives a distinct advantage over current private insurers.<sup>32</sup>

There is no quick solution to covering tens of millions of uninsured. The Senate Finance Committee bill, as proposed by Senator Baucus and reported by the committee, emphasizes the inclusion of health cooperatives in the reform process. Senators Rockefeller and Schumer proposed amendments driving the committee consideration of the bill to add such an option, which were subsequently defeated. Similar amendments are likely to be offered again on the Senate floor, if the bill reaches the floor. In contrast, the House Tri-Committee bill has already incorporated strong language initiating a public option as well as modest language in support of health cooperatives, and will ultimately have to be reconciled with what may emerge from the Senate.

### **Purchasing Cooperative**

A different type of cooperative, called a purchasing cooperative, is a separate idea from that which is currently being discussed in the health reform proposals. A purchasing cooperative allows small business and individuals to band together to increase their purchasing power.<sup>33</sup> Employers began to band together to purchase insurance collectively beginning in the 1970s, encouraged by legislation in over 25 states that supported their efforts. In contrast to the consumer cooperative example, this form does not actually provide the benefits itself but rather acts as a middle-man that leverages the power of many.

For example, the Farmer's Health Cooperative of Wisconsin, owned and operated by farmers and agribusinesses, purchases health insurance from Aetna.<sup>34</sup> The success of these businesses generally depends on their ability to attract large number of employers to increase their member base.<sup>35</sup> Without enough size, the cooperative lacks negotiating power and economies-of-scale. When successful, however, purchasing groups can negotiate lower prices from existing insurance companies for their members.

### **Selected Resources**

Please email [info@allhealth.org](mailto:info@allhealth.org) if you find that any of the links mentioned in this toolkit no longer work.

### **ANALYSIS**

#### **Cooperative Health Care: The Way Forward?, June 2009**

Karen Davis, *The Commonwealth Fund Blog*

[www.commonwealthfund.org/Content/Blog/Health-Cooperatives-The-Way-Forward.aspx](http://www.commonwealthfund.org/Content/Blog/Health-Cooperatives-The-Way-Forward.aspx)

This blog article begins with a history of health cooperatives and gives examples of successful and failed cooperatives. It also examines the cooperative model in rural electricity distribution. Finally, the article describes a national organization that could set the stage for an expansion of the health cooperative idea.

**Health Co-ops: Slow Road to Government Care**, August 2009

Scott Harrington, *American Enterprise Institute*

<http://www.aei.org/article/100923>

Compared with a public plan, the author says, government-authorized cooperatives could simply be a slower road to government health care.

**Health Insurance Co-ops: How Congress Could Adopt the Right Design**,

June 2009

Edmund F. Haislmaier, *Heritage Foundation*

<http://www.heritage.org/Research/healthcare/bg2290.cfm>

**Health Care Co-ops: What's Inside the Box?**, July 2009

Edmund Haislmaier, *Heritage Foundation*

<http://blog.heritage.org/2009/07/30/health-care-co-ops-whats-inside-the-box/>

The author believes that no change in existing law is necessary for new health insurance cooperatives to spring up. His conclusion: “The most positive outcome for the health insurance cooperative idea would be if Congress amended the tax-code to allow member-owned health insurers to operate as non-profits, just as decades ago Congress authorized non-profit, member-owned credit unions.”

**Health Insurance Market Reforms: What They Can and Cannot Do**,

November 1995

Linda J. Blumberg and Len Nichols, *Urban Institute*

<http://www.urban.org/url.cfm?ID=306448>

This paper clarifies the meaning of the terms used in the insurance reform debate and briefly reviews the current state of the health insurance market. It then proceeds to lay out some tools available for reforming the health insurance market. On pages 13 and 23, the article explores purchasing cooperatives.

**Health Insurance Purchasing Cooperatives**, November 2002

Elliott K. Wicks, *The Commonwealth Fund: Issue Brief*

<http://www.commonwealthfund.org/Content/Publications/Issue-Briefs/2002/Nov/Health-Insurance-Purchasing-Cooperatives.aspx>

This article notes that when small employers band together to purchase insurance, they can negotiate better prices, increase choice for their employees, and avoid having to change health plans. Better risk-pooling arguably offers no benefits. The article examines both cooperatives that succeeded and those that failed, often because they could not enroll enough members.

**An Overview of Health Co-operatives**, January 2009

Luba Panayotof-Schaan, *British Columbia Institute for Co-operative Studies*

[http://www.bcics.org/sites/bcics.org/files/Health\\_Care\\_Co-ops.pdf](http://www.bcics.org/sites/bcics.org/files/Health_Care_Co-ops.pdf)

This paper provides background information on health cooperatives in Canada, as well as a few examples from other countries. Short case studies are presented on different types of health cooperatives including community clinics, a health brokers' cooperative, ambulance cooperatives, and home care service providers. The paper concludes with a summary of some of the challenges of researching health cooperatives and points the reader to various resources for more information on this sector.

**Private Health Insurance: Cooperatives Offer Small Employers Plan Choice and Market Price**, March 2000

*United States General Accounting Office*

<http://www.gao.gov/archive/2000/he00049.pdf>

Prompted by Congress' attempt in 2000 to create pooled purchasing alliances for small businesses, the General Accounting Office produced a study on purchasing cooperatives. It found that these alliances offer increased administrative simplicity and an increase in choices available for small businesses. The cooperatives, however, failed to negotiate lower premiums because of their limited market share and their inability to offer administrative savings for insurers. State laws that restrict premium variance also hindered cooperative negotiating power.

**Understanding Health Care Co-ops**, (Video) September 2009

Michael D. Tanner, *Cato Institute*

<http://www.cato.org/event.php?eventid=6490>

With the public option for health care reform faltering, cooperatives are increasingly being discussed as an alternative. But what are they? How do they work? Are they a viable alternative or just the public option by a different name? Cato senior fellow Michael Tanner discusses the history, successes, and failures of health insurance cooperatives, and how they may or may not fit into health care reform.

## CASE STUDIES

**The Arkansas River Valley Rural Health Cooperative: Building a Three-pronged Approach to Improved Health and Health Care**, January 2003

Kathryn M. Stewart MD, MPH, et al., *Journal of Rural Health*

[http://www.srap.org/uploads/docLibrary-JRH\\_supplement.pdf](http://www.srap.org/uploads/docLibrary-JRH_supplement.pdf)

This paper describes the Arkansas River Valley Rural Health Cooperative (ARVRHC). The initial goal of the network was to develop a subsidized health insurance program to provide affordable medical services for the uninsured population (23 percent) in the 3-county service area. The ARVRHC has been successful in leveraging funding, having received over \$1.7 million in grant funds since 1999. A critical challenge facing the network today is the need for ongoing

subsidy funding. Proposed legislation for a federal demonstration of the HCAP and similar programs would enable full implementation and evaluation of this model.

**Group Health Cooperative – One Coverage-and-Delivery Model for Accountable Care**, October 21, 2009

Eric B. Larson, *The New England Journal of Medicine*

<http://healthcarereform.nejm.org/?p=2131&query=TOC>

Eric Larson, from the research institute of Group Health, outlines the structure and strategic plans of this cooperative. The consumer governed organization provides care through an integrated network of cooperative owned facilities and through contracted providers. Through prepaid group practices, it incentivizes good practices from physicians. Adapting to the market by introducing rating factors, deductibles and copayments, have attributed to its prosperity. Due to the market environment, Group Health charges comparable rates to other insurers but provides a greater value of care through its delivery systems and use of health information technology.

**Group Health Cooperative: Reinventing Primary Care by Connecting Patients with a Medical Home**, July 2009

Douglas McCarthy, Kimberly Mueller, Ingrid Tillmann

[http://www.commonwealthfund.org/~media/Files/Publications/Case%20Study/2009/Jul/1283\\_McCarthy\\_Group%20Health\\_case\\_study\\_72\\_rev.pdf](http://www.commonwealthfund.org/~media/Files/Publications/Case%20Study/2009/Jul/1283_McCarthy_Group%20Health_case_study_72_rev.pdf)

Group Health Cooperative (GHC) is a nonprofit, consumer-governed health care organization with an integrated multispecialty group practice and a network of community providers. Integrated financing and delivery enable GHC to launch innovations and organize services in ways that make the most sense operationally and clinically. Exemplifying this approach is GHC's implementation of a patient-centered medical home model of primary care that enhances the roles of a multidisciplinary care team and uses electronic health records to deliver proactive, coordinated care.

**Group Health Overview**

*From the Group Health Website*

[http://www.ghc.org/about\\_gh/co-op\\_overview/index.jhtml](http://www.ghc.org/about_gh/co-op_overview/index.jhtml)

This website gives an organizational overview of Group Health and its subsidiaries, including Group Health Cooperative, Group Health Options, Inc, KPS Health Plans, Group Health Permanente, Group Health Research Institute, and Group Health Foundation.

**Health Co-ops around the World, 2007**

<http://www.ica.coop/ihco/newsanddoc.html>

*International Health Co-operative Organisation*

The first official output coming from IHCO's health cooperative survey includes five national cases from Benin, Canada, Mali, Uganda and USA; countries with very different health systems. Each case includes a snapshot of the national health system,

information on the presence of health cooperatives, some short cases studies, and practical references. It is based on a survey conducted in 2007 with the kind collaboration of many people involved in health cooperatives and other relevant organizations located in targeted countries.

**The Health Insurance Plan of California: The First Five Years**, September 2000

Jill M. Yegian, Ph.D., et al., *Health Affairs*

<http://content.healthaffairs.org/cgi/reprint/19/5/158?ijkey=RNb2CIHmXfivg&keytype=ref&siteid=healthaff>

This article examines the activities of Health Insurance Plan of California (HIPC), a purchasing alliance for firms with between two and fifty employees. The study concludes that this organization increased the choices available to small business, but had little impact on the total number of uninsured. Further, it highlights the importance of the relationship between the insurer and the broker and concludes that subsidies are necessary in creating sustainable alliances.

**HealthPartners: Consumer-Focused Mission and Collaborative Approach Support Ambitious Performance Improvement Agenda**, June 2009

Douglas McCarthy, Kimberly Mueller, Ingrid Tillmann

[http://commonwealthfund.org/~media/Files/Publications/Case%20Study/2009/Jun/1250\\_McCarthy\\_HealthPartners\\_case\\_study\\_61\\_for%20PF.pdf](http://commonwealthfund.org/~media/Files/Publications/Case%20Study/2009/Jun/1250_McCarthy_HealthPartners_case_study_61_for%20PF.pdf)

From the authors: HealthPartners is the nation's largest nonprofit, consumer-governed health care organization, providing health and dental care and coverage to more than 1 million individuals ... Key factors driving HealthPartners' performance are a consumer-focused mission; a regional focus; ... strategic use of electronic health records...; and a culture of continuous improvement. HealthPartners' experience suggests that a nonprofit health plan market oriented to physician group practice ... creates a community environment that helps each participant achieve objectives more effectively.

**Poor Substitutes – Why Cooperatives and Triggers Can't Achieve the Goals of a Public Option**, October 21, 2009

Jacob S. Hacker, Ph.D, *The New England Journal of Medicine*

<http://healthcarereform.nejm.org/?p=1896&query=TOC>

Jacob Hacker explains why cooperatives and triggers would fail to achieve the goals of a public option. The public option would be an alternative choice to those currently without insurance options, would encourage competition between insurers, and would use innovative payment systems to lower costs. In contrast, cooperatives could not achieve the market power needed to be competitive and to offer choice, and historical precedent suggests that a trigger has little chance of being pulled.

**Separating financing from provision: evidence from 10 years of partnership with health cooperatives in Costa Rica**, September 2004

Varun Gauri<sup>1</sup>, James Cercone, Rodrigo Briceño

<http://heapol.oxfordjournals.org/cgi/reprint/19/5/292>

This article examines the impact of contracting health care provision to health care cooperatives in Costa Rica. The findings suggest that cooperatives might, with an appropriate regulatory framework and incentives, be able to combine advantages of public and private approaches to health care service provision. Under certain conditions, they might be able to maintain accessibility, a sense of mission and efficiency in service provision.

**Wisconsin's Co-Op Care: Cooperative Health Insurance for Farmers**, May 2005

*The Commonwealth Fund*

<http://www.commonwealthfund.org/Content/Newsletters/States-in-Action/2005/May/May-2005/Snapshots/Wisconsins-Co-Op-Care--Cooperative-Health-Insurance-for-Farmers.aspx>

This article explains the creation of a cooperative for farmers that will purchase private insurance. Pooling resources is intended to increase the risk pool to cut individual costs as well as to open opportunities for disease education and prevention.

## COMMENTARY

**Co-Ops: A Very Tall Order**, August 2009

Elizabeth A. McGlynn, *Washington Post*, Reposted by RAND Corporation,

<http://www.rand.org/commentary/2009/08/19/WP.html>

This commentary notes the difficulties that will arise when attempting to effectively replicate cooperatives, from enrollment to effective negotiation.

**Co-Ops Are the Single Dumbest Idea I Have Heard in the Health Care Debate in Twenty Years**, August 2009

Robert Laszewski, *Health Care Policy and Marketplace Review*

<http://healthpolicyandmarket.blogspot.com/search/label/Co-Ops>

This blog notes the similarities between cooperatives and existing not-for-profit insurance companies. It questions the ability of start-up cooperatives to have any negotiating power or to operate with a lower overhead.

**Health Co-Ops Aren't the Answer**, September 28, 2009

William Winkenwerder, The Winkenwerder Company, *The Wall Street Journal*,

<http://tinyurl.com/yba78rx>

Health care cooperatives aren't likely to drive down costs or compete with private insurers on a level playing field, Dr. Winkenwerder writes. Health cooperatives represent only about 1% of the health insurance market, and it won't be easy to raise that number quickly. It took decades and billions of investment dollars to build today's major health insurance companies. Further, the main way cooperatives could be cost-competitive with existing private plans would be because of the billions of

dollars worth of taxpayer. A "public option" by any other name -- including a health-care cooperative -- just won't fly.

**Here and Now Looks at the Future of Health Reform, #805**, July 2009

Video, *Wisconsin Public Television*

<http://www.pbs.org/wgbh/pages/frontline/video/flv/generic.html?s=whan2d>

Bill Oemichen of Cooperative Network and Robert Kraig of Citizen Action of Wisconsin discuss the merits of Cooperatives on a national scale. Mr. Oemichen sees Cooperatives as a beneficial piece of the total reform package. Mr. Kraig supports establishing both Cooperatives and a Public Option.

**Idea of Co-Ops Gain Favor in Health Overhaul**, June 2009

Jane Norman, *CQ Healthbeats*

<http://www.commonwealthfund.org/Content/Newsletters/Washington-Health-Policy-in-Review/2009/Jun/June-22-2009/Idea-of-Coops-Gain-Favor-in-Health-Overhaul.aspx>

This article explores the political positioning of a Cooperative option which is strongly supported by Senator Kent Conrad, strongly opposed by DNC Chairman Howard Dean, and a considerable option for Senator Tom Harkin, Senator Harry Reid, Senator Charles Grassley, and President Barack Obama.

**My compromise works: Co-ops can compete – and garner votes needed to pass health reform: Op-ed for USA Today by Senator Kent Conrad**, August 2009

<http://conrad.senate.gov/pressroom/record.cfm?id=317029&>

This press release frames Senator Kent Conrad's Cooperative proposal in a positive light, highlighting its bipartisan appeal, its success in other areas, and its commitment to consumers.

**No, Really, It's Not Government-Run!**, June 2009

Michael D. Tanner, *Cato Institute*

[http://www.cato.org/pub\\_display.php?pub\\_id=10306](http://www.cato.org/pub_display.php?pub_id=10306)

Faced with rising opposition to a so-called "public option" in health care reform, some Democrats are floating the idea of establishing health insurance "cooperatives" as an alternative. Republicans like Sens. Olympia Snowe (Maine) and Charles Grassley (Iowa), who are desperately devoted to the idea of bipartisan compromise, have pronounced themselves "intrigued" by the idea. A closer look suggests that the only thing intriguing about the cooperative alternative is whether it is a completely meaningless construct or simply camouflage for the "Public Plan" option.

**North Dakota Scandal Raises Concerns About Health Co-op Route**, October 10, 2009

Karl Vick, *The Washington Post*

<http://www.washingtonpost.com/wp-dyn/content/article/2009/10/09/AR2009100904085.html>

A Caribbean retreat for insurance sales reps from the consumer-owned, nonprofit BlueCross BlueShield of North Dakota met criticism from consumer advocates. Liberal groups in the state are using such instances to attack the cooperative model that Senator Kent Conrad strongly advocates. The insurance company views these attacks as distracting and points to utilization and technology as the major cost drivers.

**Senator Eyes Health Co-Ops For All 50 States**, October 2, 2009

Steve Inskeep, host *National Public Radio*

Chana Jaffe-Walt interviews health reporter Keith Seinfeld who is covered by Group Health Cooperative in Seattle. Seinfeld explains that health cooperatives resemble existing nonprofit insurance companies. He notes that very few people have actually studied cooperatives. One of the few experts, Timothy Jost, explains that cooperatives compete on quality, not price.

**So What's a Health Insurance Co-op, Anyway?**, August 2009

Anne Underwood, *The New York Times*

<http://prescriptions.blogs.nytimes.com/2009/08/17/so-whats-a-health-insurance-coop-anyway/>

This interview with Timothy Stoltzfus Jost examines health cooperatives. Many existed in the 1930s and 1940s before the Farm Security Administration pulled its support. The ones that survived act like other insurance companies. He notes that starting an insurance company is incredibly difficult and would prefer a public plan.

## **GOVERNMENT-RELATED**

**FAQ about the Consumer-Owned and -Oriented Plan (CO-OP)**

*From Senator Kent Conrad's website*

[http://conrad.senate.gov/issues/statements/healthcare/090813\\_coop\\_QA.cfm](http://conrad.senate.gov/issues/statements/healthcare/090813_coop_QA.cfm)

This webpage addresses the fundamentals and critiques of Senator Kent Conrad's version of a Cooperative, from its organizational structure and its ability to reduce costs to the role of the Federal government. The site also discusses contrasts Cooperatives to a government-backed public option and to the 'level-playing field' proposal.

**Letter to Senators Baucus and Grassley from Senator Rockefeller**, September 2009

<http://commerce.senate.gov/public/files/JDRLettertoBaucusandGrassley.pdf>

In his letter to Senators Baucus and Grassley, Senator Rockefeller explains why he does not believe that health cooperatives are an acceptable alternative to the public option. Pulling from letters he received from the NCBA, the USDA, and the GAO, he notes that consumer cooperatives have not been adequately studied, that the data on existing cooperatives are inconsistent, that many of these operate like regular insurance companies, and that the regulatory structures have not been analyzed.

**Letter to Senator Rockefeller from National Cooperative Business Association, August 2009**

Paul Hazen, *National Cooperative Business Association*

<http://www.cooperativenetwork.coop/wm/coopcare/web/SenatorRockefellerCorrespondence.pdf>

This letter, written upon request by Senator Rockefeller, explains the mechanisms and impact of all types of cooperatives across sectors of the economy, including agriculture and food, credit unions, mutual insurance, and rural electric cooperatives. It also offers specific information on the history and functions of health-related cooperatives.

**Letter to Senator Rockefeller from United States Department of Agriculture, September 2009**

Thomas J. Vilsack, *United States Department of Agriculture*

<http://commerce.senate.gov/public/files/USDA CoopResponseLetter091109.pdf>

This letter responds to Senator Rockefeller's request for additional information on USDA's Research on the Economic Impact of Cooperatives (REIC). The USDA has not directly studied on the consumer impact of cooperatives but found that cooperatives have difficulty in sectors involving large capital investments.

**Letter to Senator Rockefeller from United States Government Accountability Office, September 2009**

Ralph Dawn, *United States Government Accountability Office*

<http://commerce.senate.gov/public/files/GAOCoopResponseLetter091109.pdf>

The GAO attached summaries of studies on cooperatives published since 1990, including "Private Health Insurance: Cooperatives Offer Small Employers Plan Choice and Market Prices" and "Credit Unions: Financial Condition Has Improved, but Opportunities Exist to Enhance Oversight and Share Insurance Management".

## **Story Ideas**

- What types of health cooperative models exist locally and/or regionally? For how long? How successful? Financially sustainable? Patient perspective? Physician perspective? Has a health cooperative ever been started locally, but failed?
- Are local citizens familiar with the idea of health cooperatives? If so, do they think they cooperatives would be a good alternative to their current insurance? Or if

they're uninsured, do they see any drawbacks to coverage through a new cooperative?

- What do local health insurance companies think the impact of health cooperatives will be on their business, especially if the government plays a large role in their creation and maintenance?
- Do local citizens understand the difference between the "public option" as discussed on Capitol Hill and a health insurance cooperative? If so, do they believe that health cooperatives can act as a viable, comparable alternative to the public option? Do they think cooperatives will help make progress on covering the 40+ million uninsured?
- Are there local advocacy groups that are supporting or opposing the idea of health cooperatives? What impact do they envision cooperatives having?
- Would small businesses that offer coverage consider switching from their current health insurance providers to health cooperatives? Would cooperative insurance provide enough of a cost savings to substantiate the move?
- How do city and state officials feel about health cooperatives in their respective areas? Would cooperatives help reduce budget stresses and increasing uninsured numbers or would they place a further burden on the government?
- How are local interest groups, individuals and media reacting to the stance on cooperatives by your area's member of Congress and your state's senators?

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**Selected Websites**

American Enterprise Institute

<http://www.aei.org/>

British Columbia Institute for Co-operative Studies

<http://www.bcics.coop/>

California HealthCare Foundation  
[www.chcf.org](http://www.chcf.org)

Cato Institute  
<http://www.cato.org/>

The Commonwealth Fund  
<http://www.commonwealthfund.org/>

International Health Co-operative Organisation  
<http://www.ica.coop/ihco/index.html>

The Heritage Foundation  
[www.heritage.org](http://www.heritage.org)

*The Foundry* (A Heritage Blog)  
<http://blog.heritage.org>

National Cooperative Business Association  
[www.ncba.coop](http://www.ncba.coop)

*About: Health Care Cooperatives*  
[http://www.ncba.coop/abcoop\\_health.cfm](http://www.ncba.coop/abcoop_health.cfm)

University of Wisconsin Center for Cooperatives  
[http://www.uwcc.wisc.edu/info/i\\_pages/health.html](http://www.uwcc.wisc.edu/info/i_pages/health.html)

### ***Health Plans***

BlueCross BlueShield Association  
<http://www.bcbs.com/>

Coopcare, Wisconsin and Minnesota  
<http://www.cooperativenetwork.coop/wm/coopcare/web/coopcare.html>

Farmers Health Cooperative of Wisconsin  
<http://www.farmershealthcooperative.com/>

First Plan  
<http://www.firstplan.org/>

Group Health Cooperative of Eau Claire  
<https://www.group-health.com/default.aspx>

Group Health Cooperative of Washington State  
<http://www.ghc.org>

Group Health Cooperative of Southern Wisconsin  
<https://ghcscw.com/>

HealthPartners  
<http://www.healthpartners.com/>

## **Glossary**

**Broker** – “A salesperson who has obtained a state license to sell and service contracts of multiple health plans or insurers, and who is ordinarily considered to be an agent of the buyer, not the health plan or insurer. One who represents an insured in solicitation, negotiation, or procurement of contracts of insurance, and who may render services incidental to those functions. By law, the broker may also be an agent of the insurer for certain purposes such as delivery of the policy or collection of the premium.”<sup>36</sup>

**Consumer-owned cooperatives** – “Cooperatives owned by their customers, such as credit unions and rural electric companies”<sup>37</sup>

**Cooperative** – “An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”<sup>38</sup>

**Fee-for-service** – “Traditional method of payment for health care services where specific payment is made for specific services rendered... This system contrasts with salary, per capita, or other prepayment systems, where the payment to the physician is not changed with the number of services actually used... With respect to the [providers], this refers to payment in specific amounts for specific services rendered--as opposed to retainer, salary, or other contract arrangements. In relation to the patient, it refers to payment in specific amounts for specific services received, in contrast to the advance payment of an insurance premium or membership fee for coverage.”<sup>39</sup>

**Health Insurance Cooperative** – A consumer health insurance cooperative is an entity owned by the people receiving coverage through the company.<sup>40</sup> Other cooperative business models do exist but are not currently being discussed in health reform proposals, including purchasing, worker-owned, and producer cooperatives.<sup>41</sup> “Cooperatives could be formed at a national, state or local level, and could include doctors, hospitals and businesses as member-owners. As nonprofit entities, health insurance cooperatives would compete with private for-profit insurers.”<sup>42</sup>

**Health Maintenance Organization (HMO)** – “An entity that provides, offers or arranges for coverage of designated health services needed by members for a fixed, prepaid premium. HMOs offer prepaid, comprehensive health coverage for both hospital and physician services. The HMO is paid monthly premiums or capitated rates by the payers, which include employers, insurance companies, government agencies, and other groups representing covered lives... An HMO contracts with health care providers, e.g., physicians, hospitals, and other health professionals. The members of

an HMO are required to use participating or approved providers for all health services.”<sup>43</sup>

**Managed Competition** – “A health insurance system that bands together employers, labor groups and others to create insurance purchasing groups; employers and other collective purchasers would make a specified contribution toward insurance purchase for the individuals in their group; the employer's set contribution acts as an incentive for insurers and providers to compete. This term first surfaced as a result of Bill Clinton's health reform package in the early 1990s.”<sup>44</sup>

**Non-profit health insurance** – “Nonprofit organizations are institutions that conduct their affairs for the purpose of assisting other individuals, groups, or causes rather than garnering profits for themselves. Nonprofit groups have no shareholders; do not distribute profits in a way that benefits members, directors, or other individuals in their private capacity; and (often) receive exemption from various taxes in recognition of their contributions to bettering the general social fabric of the community.”<sup>45</sup>

**Producer cooperatives** – Cooperatives in which producers band together to increase their market share, such as “farmer owned cooperatives like Land O’ Lakes”<sup>46</sup>

**Purchasing cooperatives** – Cooperatives that “allow individuals or businesses to essentially join together to buy goods and services in bulk, thus getting better deals. Most hospitals buy equipment together in these cooperatives.”<sup>47</sup>

**Worker-owned cooperatives** – Cooperatives in which “the workers are the owners of (the) cooperatives. Several currently operate in home health care.”<sup>48</sup>

*See also:*

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University of Wisconsin Center for Cooperatives.

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- <sup>19</sup> Davis, Karen. p. 1
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