



***Cooperative Advocacy in the
National Health Care Reform
Debate***

***13th Annual Farmer Cooperatives
Conference
December 6, 2010***

Bill Oemichen, President and CEO

Cooperative Network

- Trade association for more than 600 Wisconsin and Minnesota cooperative businesses
 - Wisconsin and Minnesota cooperatives are owned by more than 6.3 million residents of the two states
 - Very diverse membership, including utilities, insurers, financial, agricultural production and processing cooperatives
 - Primary association service is working on legislative and regulatory issues for members
 - Involved in cooperative development where legislative or regulatory changes are needed

The Health Care Challenge

- From 1995-2005, Wisconsin lost three dairy farms per day
 - Many producers were buying insurance as self-employed with little or no bargaining power
 - Spouses worked off the farm to get coverage with coverage being increasingly limited
 - Most plans did not include 24-hour coverage
- Surveys demonstrated primary concern:
 - Lack of access to affordable, quality health insurance
 - Not low dairy prices
- Cooperative Network Board told staff to develop solutions: Co-op Care
 - Wisconsin Co-op Care Project launched in 2003
 - Minnesota Co-op Care Project has developed more slowly due to a different regulatory landscape
 - Supported by all cooperative sectors

Cooperative Health Care in the Upper Midwest

- Cooperative Network's Co-op Care is based on its long term experience with health care
- More than 1.8 million citizens of the two states purchase their health care insurance and services from a health care cooperative
 - Largest health care cooperative member is the 1.3 million member HealthPartners HMO in Minneapolis/Saint Paul
 - Health care cooperatives are consistently ranked high for quality
 - Group Health Cooperative of South Central Wisconsin – ranked 7th nationally
 - HealthPartners HMO ranked #1 in Minnesota
 - Cooperatives include pharmaceutical buying, rural hospitals and self insured employer groups

Co-op Care Project

- Co-op Care Project was developed to provide access alternatives and competition for Wisconsin agriculture
- Wisconsin is the only state with substantive cooperative health care provisions
 - “Sickness Care Cooperatives”
 - Most states have nonprofit and for profit health care laws
 - Cooperative Network pursued legislation to create “Co-op Care” in 2003
- WI Act 101 was signed into law by Governor Doyle on December 11, 2003
 - Created Wisconsin Statutes Section 185.99
 - Allows for the creation of cooperative health care purchasing alliances
 - 2005 Act 231 clarified that cooperatives would be viewed as large groups

Co-op Care Project

State of Wisconsin



2009 Senate Bill 471

Date of enactment: **March 15, 2010**
Date of publication*: **March 29, 2010**

2009 WISCONSIN ACT 165

AN ACT to repeal 185.981 (4), 185.981 (6) and 185.982 (3); **to renumber and amend** 185.981 (4); **to amend** 71.26 (1) (a), 71.45 (1) (a), 71.45 (5), 146.81 (1) (k), 146.997 (1) (d) 17., 155.01 (7), 185.09, 185.981 (title), 185.981 (1), 185.981 (2), 185.981 (3), 185.981 (5), 185.981 (7), 185.981 (8), 185.981 (9), 185.982 (1), 185.982 (2), 185.983 (1) (intro.), 185.983 (1) (a), 185.983 (1m), 185.983 (2), 185.985, 252.14 (1) (ar) 12., 254.11 (13), 632.86 (1) (a) and 655.002 (1) (f); **and to create** 185.981 (4) (b) of the statutes; **relating to:** health care plans operated by cooperative associations.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.26 (1) (a) of the statutes is amended to read:

71.26 (1) (a) *Certain corporations.* Income of corporations organized under ch. 185, except income of a cooperative sickness health care association organized under s. 185.981, or of a service insurance corporation organized under ch. 613, that is derived from a health maintenance organization as defined in s. 609.01 (2) or a limited service health organization as defined in s. 609.01 (3), or operating under subch. 1 of ch. 616 which are bona fide cooperatives operated without pecuniary profit to any shareholder or member, or operated on a cooperative plan pursuant to which they determine and distribute their proceeds in substantial compliance with s. 185.45, and the income, except the unrelated business taxable income as defined in section 512 of the internal revenue code and except income that is derived from a health maintenance organization as defined in s. 609.01 (2) or a limited service health organization as defined in s. 609.01 (3), of all religious, scientific, educational, benevolent or other

corporations or associations of individuals not organized or conducted for pecuniary profit. This paragraph does not apply to the income of savings banks, mutual loan corporations or savings and loan associations. This paragraph does not apply to income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in this state. This paragraph applies to the income of credit unions except to the income of any credit union that is derived from public deposits for any taxable year in which the credit union is approved as a public depository under ch. 34 and acts as a depository of state or local funds under s. 186.113 (20). For purposes of this paragraph, the income of a credit union that is derived from public deposits is the product of the credit union's gross annual income for the taxable year multiplied by a fraction, the numerator of which is the average monthly balance of public deposits in the credit union during the taxable year, and the denominator of which is the average monthly balance of all deposits in the credit union during the taxable year.

SECTION 2. 71.45 (1) (a) of the statutes is amended to read:

* Section 991.11, WISCONSIN STATUTES 2007-08 : Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication as designated" by the secretary of state [the date of publication may not be more than 10 working days after the date of enactment].

Wisconsin Co-op Care Project

- Wisconsin Statutes Section 185.99 (“Co-op Care”)
 - Authorizes purchasing alliances to contract with insurer for a fully insured contract of insurance
 - Ten cooperatives authorized by Wisconsin Insurance Commissioner to date:
 - Cooperatives include agriculture, small employers, school districts, medical professionals, etc.
 - Cooperatives are not allowed to self-insure
- Purpose of Co-op Care:
 - Provide affordable, quality health care to individuals (particularly farmers) and small businesses in rural areas
 - Co-op Care places significant emphasis on promoting healthy lifestyles

Unique Features of Wisconsin Health Care Cooperatives

- Cooperative structure
 - Member-owned and member-directed
 - Board of directors chosen from membership
- Allows cooperative to be viewed by the state as a large group rather than a collection of “small employers”
 - Allows some flexibility with state mandates
 - Does not require rate banding typical with state small employer regulations

Co-op Care Project: Farmers' Health Cooperative of Wisconsin



- 2003 Wisconsin law has led to creation of ten cooperative health care purchasing alliances
 - Farmers' Health Cooperative of Wisconsin created in 2007
 - Comprehensive fully insured plan with variety of deductibles with national insurers
 - Results:
 - Balanced member pool with an average producer age of 43
 - 81.7% of the cooperatives' members either saw a reduced premium or an unchanged premium
 - 65.4% said their benefits had increased
 - 90%+ of the cooperatives' members have participated in annual health risk assessments
 - 98% annual re-enrollment rates
 - Annual premium increases of less than 10%



Co-op Care Project: 40 Square Cooperative Solutions

- State borders often erect barriers to multi-state health care cooperatives
- In addition, Minnesota's health insurance regulations are complicated
- 2010 Minnesota Law eases the way for creation of a Minnesota health care cooperative
 - No insurer would bid – farmers are “too risky”
 - Led to Multiple Employer Welfare Association (MEWA) application
 - Application submitted October 2, 2010
 - Expected launch around January 1, 2011
 - Partners are AgStar Financial Services and United Farmers Cooperative



Federal Health Care Advocacy

- Issues with state health care cooperative creation led to federal legislative effort:
 - Alliance for Employee Benefit Cooperatives legislation
 - Intent to amend U.S. Internal Revenue Code to provide for employee benefit cooperatives
 - Language included in earlier U.S. House of Representatives drafts of federal health care reform
 - Parallel education process for Members of Congress interested in health care cooperatives

Federal Health Care Advocacy

- Senate and House Committee Testimony
 - Senate Small Business and Entrepreneurship Committee
 - House Health, Education, Labor and Pensions Subcommittee of House Commerce Committee
 - Strong bi-partisan interest in health care cooperatives
 - Testimony focused on bringing interest of insurer together with consumer into a cooperative
 - Opposition from those seeking single payer system since co-ops were now seen as the “opponent”
 - Republicans saw co-ops as a private sector initiative
- Senate version of national health care reform included substantive cooperative provisions



Federal Health Care Advocacy

- National Media
 - Our attempt to influence the national debate with NCBA
 - Advocacy focused on what health care cooperatives can and cannot do
 - Cannot be created overnight
 - Require committed leadership
 - Often require start-up capitalization
 - Cooperative Network avoided question of whether Upper Midwest cooperatives supported “national health care reform”
 - Nothing to be gained from entering political battle
 - Criticism by liberal think tanks towards health care cooperatives
 - Conservative think tanks more supportive of idea



Patient Protection and Affordable Care Act

- Senate and House worked on “compromise bill”
- Senate’s cooperative language was removed
- New provision: “Consumer Operated and Oriented Plans” or “CO-OP”
 - Intent is to create nonprofit insurers for health care exchanges in each state
 - Governance must be subject to “majority vote of its members”
 - “Incorporate ethics and conflicts of interest standards”
 - “Operate with a strong consumer focus”
 - Profits must be used to “lower premiums, improve benefits, or other programs intended to improve the quality of health care delivery”
 - Focus on individual and small group markets
 - Must meet state mandates
 - \$6 billion appropriated for startup grants and loans

Patient Protection and Affordable Care Act

- CO-OP provisions continued:
 - Focus on individual and small group markets
 - Must meet state mandates
 - \$6 billion appropriated for startup grants and loans
- 15 member advisory board
 - Appointed by U.S. Comptroller General
 - Advise the U.S. Secretary of Health and Human Services
 - Appointment through end of 2015
 - Work begins in January, 2011
- Not yet clear what Congress may do to modify or “defund” the act’s provisions



Health Care Cooperatives

- *The world is run by those who show up*
- Cooperatives do join the consumer interest with the interest of the insurer
- Health care cooperatives are working to meet the needs of consumers in the Upper Midwest
- Federal health care reform law provides opportunity to build on the health care cooperative model

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