

doing business in northwest wisconsin

Co-ops emerge to buy group health insurance

Seventeen counties in western Wisconsin are joining forces.

By RICHARD THOMAS

Four northwest counties—Douglas, Ashland, Bayfield and Price—recently were added into plans for a health insurance purchasing cooperative covering the western part of the state.

On Sept. 2, the Cooperative Health Choices of Western Wisconsin steering committee decided to include the north-west tier.

Cooperative Health Choices proposes a service territory in a 17-county region: Ashland, Barron, Bayfield, Burnett, Chippewa, Clark, Douglas, Dunn, Eau Claire, Pepin, Pierce, Polk, Price, Rusk, St. Croix, Sawyer, and Washburn.

The co-op's goal is to enable small businesses — as small as one person— to collectively negotiate with insurance companies.



The cooperative is “still very much a work in progress,” said William Rubin, steering committee member and executive director of the St. Croix County Economic Development Corp. The projected opening date is July 1, 2009.

All committee members are volunteers. The operation has a minimal bud-



et and seeks corporate donations.

One hundred people turned out for the group's initial workshop in April 2008. The committee's online confidential survey on small business healthcare needs drew 200 responses. Committee chairman Steve Healy said he was “surprised” by the high level of interest.

The initial plan was to include the more southern counties of Buffalo, Trempealeau, Monroe, La Crosse, and Jackson. But the committee eliminated those five counties because they are aligned with a different geographic trade area, the Seven Rivers Region that covers portions of Minnesota, Iowa, and Wisconsin.

The steering committee decided it “should not split-up regions that have a history of working together,” according to the minutes of the Aug. 19 meeting.

Plan boundaries remain tentative until insurance contracts are signed. The final territory is subject to approval by the Wisconsin Commissioner of Insurance.

A national model?

Health insurance purchasing cooperatives are relatively new in Wisconsin. Legislation in 2003 enabled their formation in five regions of the state.

Revisions to the law in 2005 clarified that members are to be considered as a group rather than as individuals.

“I expect it to be a national model,” said Liz Quam, a Minnesota healthcare activist who helped draw up the Wisconsin law.

Early adopters include the statewide Farmers' Health Cooperative and Healthy Lifestyles of Brown County (Green Bay area), both launched in 2007. A statewide cooperative for small employers is in development.

Co-ops do not necessarily offer cheaper rates than traditional group insurance. But they provide insurance to those who otherwise would not have access to a large group plan and therefore would find it unaffordable. Each co-op may tailor its policies to member decisions.

The law stipulates co-ops may lock in insurers for three-year contracts. Members also can be assessed a penalty if they withdraw before the three year period ends. The provision aims to stabilize rates and prevent “the death spiral,” in which healthy members leave the co-op, those remaining face higher premiums, and the pool collapses.

The western Wisconsin co-op is looking to model itself in part after Healthy Lifestyles of Brown County, which has 3,000 individual and 152 company members, ranging in size from one to 173 employees. Healthy Lifestyles has emphasized wellness and preventative care.

Healthy Lifestyles has high deductibles ranging from \$1,500 to \$5,000, a feature the western co-op is looking to duplicate, according to committee chairman Healy.

High-deductible plans are controversial. Proponents including the Bush Administration say high deductibles result in lower premiums and cause the insured to be more cost-conscious and responsible for their health. Critics, however, say they discourage the insured from getting early or needed treatment, and are especially problematic for lower-income people.

The Farmers Health Cooperative offers a variety of plans with deductibles as low as \$300.

Picking up where Minnesota left off

The Wisconsin law is modeled upon Minnesota laws passed in 1999 and 2002. But those laws created purchasing “alliances”— coalitions of employers— rather than cooperatives, in which members are the owners and decision makers.

Pilot alliances sprung up such as Breakwater in Duluth and RuralCare in Northwest Minnesota. But almost all folded within a few years.

“Alliances didn't work out,” said Quam, who organized for alliances in Minnesota. She said the healthcare market changed from the 1990s, when advocates were building the base for alliances, and the new millennium, when the alliances went into effect. “Nine-eleven happened. Everyone became risk averse,” she said.

Insurance carriers did not have formulas to deal with the new form of insurance and tended to rank clients in the high-risk category. The alliances had trouble attracting enough members. And insurance companies drew people away with bargain-basement premiums to expand market share.

In Wisconsin, changing the concept from alliance to “cooperative” should give it more clout. The structure is more familiar in Wisconsin where three million residents already are co-op members.

“We are not too many generations removed from the rural co-ops that were formed to get phone service and electricity,” said Rubin of Cooperative Health Choices.

Co-op members have “built-in long term loyalties,” said William Oemichen, president and CEO of Wisconsin Federation of Cooperatives and the affiliated Minnesota Association of Cooperatives, which successfully lobbied for the Wisconsin law.

The organization has worked for seven years to get similar healthcare insurance co-ops going in Minnesota. But unlike Wisconsin, the process in Minnesota may not require a legislative change. Instead the group is working through the regulatory process with the state Department of Commerce.

“We get calls from farmers asking to sign up for a health plan. We don't have a health plan,” said Amy Fredregill, vice president of the Minnesota association.

For additional information, go to Cooperative Health Choice of Western Wisconsin: www.unitedscv.com/chchealth.htm and Wisconsin Federation of Cooperatives/Minnesota Association of Cooperatives: www.wfcmac.coop.

