



Health Care Cooperatives and Consumer-Governed Health Care

Consumer-Owned Private Health
Insurance Plans Conference

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Why Form a Healthcare Cooperative?

- Cooperatives create health care competition
- Successful business model in the Upper Midwest and Pacific Northwest; can be applied elsewhere
- Interests of consumers, insurer, and health care practitioners are placed within one business entity
- Cooperative focus is on the consumer member rather than on profits
 - Emphasis on improving local healthcare
 - Very few regulatory complaints
 - Play active role in community

Why Form a Healthcare Cooperative?

- Cooperatives already employ practitioners and operate hospitals and clinics
- Practitioner compensation focuses on quality rather than “billable hours” leading to higher practitioner satisfaction
- \$3.8 billion in federal CO-OP funding available from HHS to form new cooperatives

What is a Cooperative?

- A cooperative (also co-operative; often referred to as a co-op) is a business organization owned and operated by a group of individuals for their mutual benefit
- Cooperatives are defined by the autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprises
- A cooperative may also be defined as a business owned and controlled equally by the people who use its services or by the people who work there

What Makes a Cooperative Different?

- Owned and democratically controlled by members
 - The people who use the co-op's services or buy its goods—not by outside investors
 - Co-op members elect their board of directors from within the membership
- Return surplus revenues (income over expenses and investment) to members
 - Return is proportionate to the member's use of the cooperative
 - Return is not proportionate to the member's "investment" or ownership share

What Makes a Cooperative Different?

- Are motivated not by profit, but by service
 - Focus on meeting their members' needs or affordable and high quality goods or services
 - Exist solely to serve their members
- Pay taxes on income kept within the co-op for investment and reserves
 - Surplus revenues from the co-op are returned to individual members who pay taxes on that income
 - Surplus revenues may also be placed in unallocated reserves

Philosophical and Legal Basis for Cooperatives

- Share seven common principles
- Generally created by state or federal law
 - Many states have general cooperative law
 - A few states have cooperative health care statutes
 - Wisconsin – Wisconsin Statutes Section 185.981
 - Colorado – Colorado Statutes Title 10, Article 16, Part 1004
 - Minnesota – Minnesota Laws 2007, Chapter 147, Article 12, section 14, as further amended by Minnesota Laws 2010, Chapter 344, section 4
 - Illinois – HB3236 would amend 805 ILCS 310/30
 - Some states only have nonprofit healthcare laws
 - Cooperatives then operate on a cooperative basis

Seven Cooperative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community

Colorado Health Care Cooperative Law

- Cooperative is a corporate form under state law:
 - Colorado Statutes Title 10 (Insurance), Article 16 (Health Care Coverage), Part 1004 (Health Care Coverage Cooperatives)
 - Colorado Senate Bill 11-191: “Colorado Uniform Cooperative Association Act”
 - 7-58-105(2): A limited cooperative association may be organized for any lawful purpose, whether or not for profit”
 - Application not yet clear to health care cooperatives
 - Wisconsin Statutes Section 185.981
 - Likely most comprehensive cooperative health care law in the nation
 - Modernized by Wisconsin Legislature in 2010
 - Some state statutes provide only for nonprofit health care plan authority
 - Nonprofit then operates under cooperative principles

Colorado Health Care Coverage Cooperatives

- *10-16-1001(2) The general assembly hereby finds that:
 - (5) The general assembly hereby finds, determines, and declares that the rapidly changing health care market provides unique opportunities for health care providers to organize themselves into new forms of collaborative systems to deliver high quality health care at competitive market prices to cooperatives and other purchasers. This part 10 is enacted to encourage such collaborative arrangements and to promote market-based competition among health care providers.*

Colorado Health Care Coverage Cooperatives

- 10-16-1001(4) The general assembly, therefore, declares that the purposes of this part 10 are to:
 - (a) Promote control of the cost of health care for employers, employees, and others who pay for health care coverage by pooling purchasing power among consumers and organizing providers so that health care services are delivered in the most efficient manner;
 - (b) Allow health care cooperatives established under this part 10 flexibility in the determination of plans and coverages they provide to members and the selection of health provider networks, plans, and providers with which they contract for services

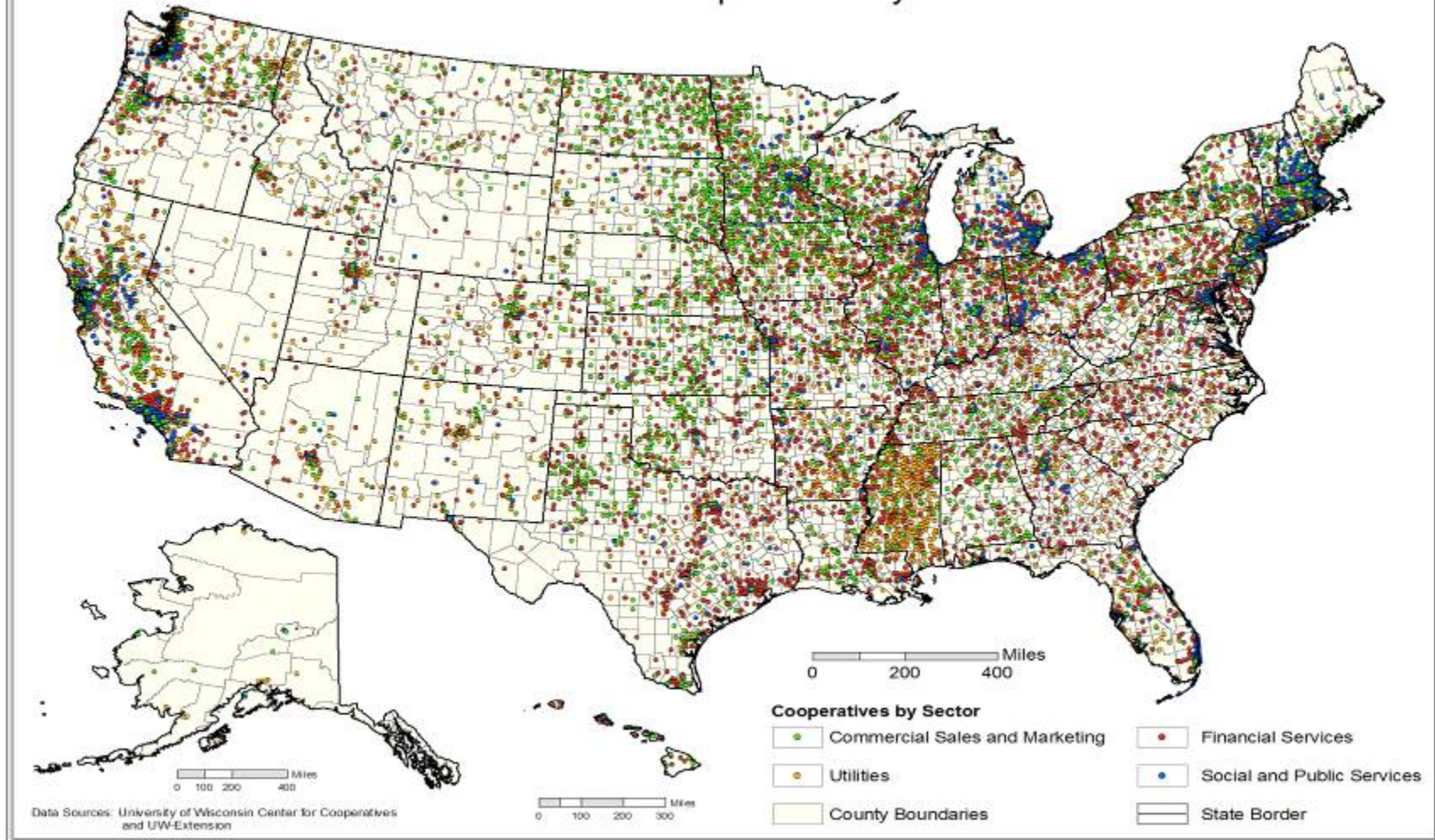
Cooperatives in the USA

- More than 47,000 cooperatives
- Serving 120 million people of 300 million
- 40% of the population
- Revenue: \$652 billion
- Income: \$154 billion
- Wage and benefits: \$75 billion
- Employment: 2.1 million jobs

Diverse Industry Sectors Nationally

- Agriculture
- Health care insurers and providers
- Day care centers
- Credit unions and Farm Credit
- Grocery stores
- Housing co-ops
- Electric utility
- Telephone and telecommunications utility
- Purchasing cooperatives
- Mutual Insurance
- School districts
- Worker-owned cooperatives

Distribution of Cooperatives by Sector



Health Care Cooperatives

- Four different types:
 - 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)

Key Legal Battles

- Group Health Cooperative of Puget Sound v. King County Medical Society (1952)
 - Anti-trust claim excluding MDs from membership
- Two Harbors Community Health Association v. St. Louis County Medical Society
 - Refusal to grant privileges/discrimination
 - Settled out of court
- 1955 Minnesota Attorney General Opinion

HealthPartners HMO



McGough

BLOOMINGTON CORPORATE CENTER

POPE
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Cooperative
 **Network.**

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



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



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



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: Consumer Governance

- Consumer-board elected by consumers
 - Nominations committees seek qualified members with expertise
 - Elections are normally contested
 - Significant director education is provided
 - Some cooperative bylaws allow for medical practitioner directors
 - Entire membership normally votes on all directors candidates
 - Numbers are usually limited with consumer members forming substantial majority
 - Practitioners usually not allowed to run for consumer board position

The Cooperative Difference: Consumer Governance

- Standing patient and member councils
- Medical Board of Governors
- Annual meeting
- Project specific input
 - Care approaches
 - Material design
- Member Appeals

The Cooperative Difference: Focus on the Member-Consumer

- Longer-term perspective that only changes with the need of the end user
 - Not focused on staff interests
 - Not focused on the investor interests
 - Not focused on institutional interests
- Provides a constant and direct link to the consumer
- Links strategic objective to individual experience
- Nurture the “commons”
- Focus on different things; do things differently

The Cooperative Difference: Awards and Recognitions

- HealthPartners Awards:
 - HealthPartners HMO Ranked 19th in the Nation
HealthPartners commercial health plan has been ranked 19th in the nation according to the NCQA Health Insurance Plan Rankings 2010-11 (out of 227)
 - Consumer Experience Leader
HealthPartners is the highest rated Minnesota health plan in overall consumer experience according to a survey by the Consumer Assessment of Healthcare Providers and Systems (CAHPS)
 - Rating of Excellence
NCQA gives HealthPartners its highest possible “Excellent” rating

The Cooperative Difference: Awards and Recognitions

- 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
 - Number one ranked carrier for business executives in a top of mind survey from “In Business” magazine for three years in a row
 - Number one ranked company for data analytics for innovation and technology from Information Weekly magazine

BETTER TO
TOGETHER



According to NCD's
Health Insurance Plan Rankings
2014-2015 - Wisconsin

Who told NCD
about HCC-HC's quality?
OUR MEMBERS DID.
Healthy communities.



Just like you and
Group Health Cooperative are
BETTER TOGETHER

Top in Wisconsin
5 Years in a Row!

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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)

The Cooperative Difference: Awards and Recognitions

- 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."

Consumer Operated and Oriented Plans

- Unique opportunity right now to develop new health care cooperatives
- Congress has provided \$3.8 billion in grants/loans to finance up profit business planning and capitalization
 - http://cciio.cms.gov/resources/co_op/index.html#coopp
- Combines the interests of the consumer, the health care insurer and health care practitioner together into one entity
- Creates health care competition
- Successful examples already exist in Minnesota, Wisconsin and Washington State

For More Information:

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