



## Health care reform in action *Cooperatives will be affected*

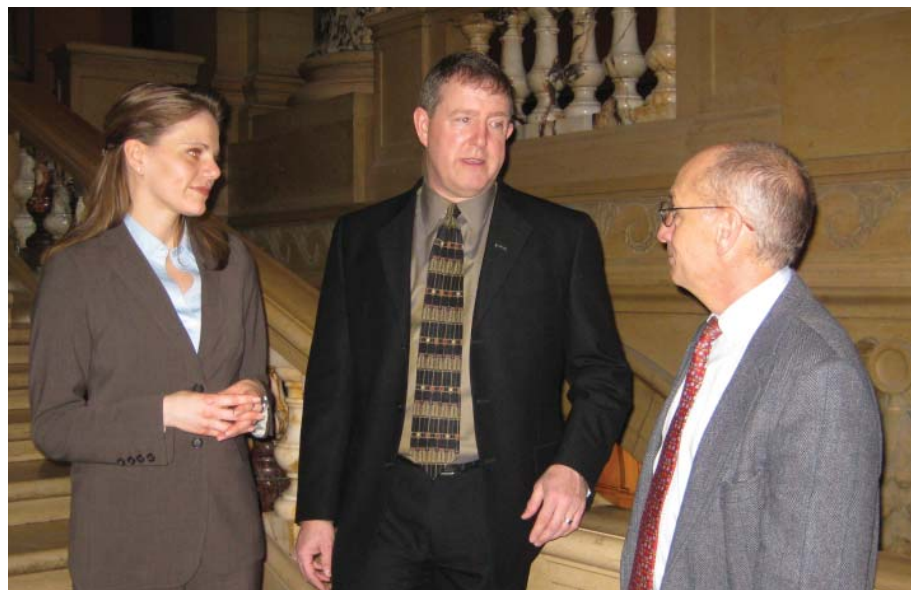
This "Focus On" fact sheet provides cooperatives with an overview of Cooperative Network's efforts on health care, information regarding changes as a result of federal legislation, how the legislation affects cooperatives, and resources to answer further questions. More information is available at: [cooperativenetwork.coop](http://cooperativenetwork.coop).

Nearly 10 years ago, Cooperative Network first began hearing from agricultural cooperative members and the producers they represent regarding increased concerns over the costs of and accessibility to health care. Since that time, Cooperative Network has been working on solutions to health care concerns, not only for agricultural members, but for all cooperatives.

In March 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA). The new law is aimed at expanding coverage, controlling health care costs, and improving the health care delivery system.

### How will your co-op be affected by federal health care reform?

- It is safe to say that all cooperative employers will be affected by this recently passed legislation, but the issue is complicated. Impacts will vary based on the size of the cooperative.
- The U.S. Department of Health and Human Services is implementing regulations that will further define the law. However, several provisions have already taken effect, including the prohibition of rejecting minors for pre-existing conditions.
- Your cooperative might be eligible for the small-employer tax credit. Please see the information on page two regarding the tax credit. Most ag co-ops do have some tax liabilities that could be offset by the credit. A longer description of the tax credit is included in a separate document on our website.



**Cooperative Network Health Care Coordinator Char Vrieze and President and CEO Bill Oemichen discuss 40 Square health care cooperative developments with consultant Michael Scandrett.**

## The PPACA expands coverage to Americans

The following lists ways coverage will be expanded:

- Mandating health insurance providers to accept persons with pre-existing conditions, charging them the same rates as individuals without such conditions
- Requiring all persons to purchase "approved" (very basic) insurance and low-income persons and families above the Medicaid level and up to 400 percent of poverty level are heavily subsidized (e.g. persons at 150 percent of poverty level would be subsidized such that their premium cost would be 2 percent of income or \$50 a month for a family of four).
- Requiring individuals to show proof of insurance via a new federal form issued by insurance providers to policy holders (similar to W2 or 1099 forms). Individuals who do not submit such forms pay additional taxes. There are exemptions for low income and hardship.
- Creating state-based insurance exchanges through which individuals can purchase coverage, with premium and cost-sharing credits available to individuals/families with income between 133-400 percent of the poverty level and creating separate exchanges through which small businesses can purchase coverage.
- Requiring employers to pay penalties for employees who receive tax credits for health insurance through an exchange, with exceptions for small employers.
- Imposing new regulations on health plans in the exchanges and in the individual and small group markets.
- Expanding Medicaid to 133 percent of the poverty level.

## Cooperative Network's health care work to benefit cooperatives and their members

Thanks to \$4.45 million in federal grants, Cooperative Network created the Farmers' Health Cooperative of Wisconsin (FHCW) and is close to launching 40 Square Cooperative Health Solutions in Minnesota.

- The FHCW began enrolling members in March of 2007. The cooperative received initial startup assistance along with continuing support in the form of "stop loss" coverage through a grant from USDA to Cooperative Network. The cooperative, which operates independently from Cooperative Network, has just begun its fifth year in business and its average annual premium increase has been under 10 percent each year, substantially below the market. The FHCW was even able to issue patronage checks to its members in 2010.

- Cooperative Network submitted an application to the Minnesota Department of Commerce last fall to create a similar farmer health cooperative in Minnesota. The extensive application is being reviewed by regulators, and Cooperative Network anticipates launching the cooperative with several cooperative partners in 2011 pending state

approval.

- Cooperative Network continues to work with a variety of existing Wisconsin and Minnesota health care cooperatives and federal and state officials to ensure cooperatives benefit from, rather than being hindered by, the new federal law and the accompanying federal and state regulations.

Nationally, Cooperative Network has weighed in on policy issues that are important to cooperatives and has answered numerous questions from members. In June 2010, Cooperative Network President and CEO Bill Oemichen was appointed by the U.S. comptroller general to the advisory board to the Consumer Operated and Oriented Plan (CO-OP) Program. The board, newly created by the PPACA, is making recommendations to the Department of Health and

Human Services on grants and loans to establish nonprofit, member-run health insurers serving the individual and small-group markets. Information on this process will be made available to interested members as the advisory board moves forward with its work in Washington, D.C.



**AgStar Financial Services, PCA and United Farmers Cooperative have partnered with Cooperative Network to work on the Minnesota health care development.**

## Small-Employer Tax Credit passes under PPACA

The new federal health care law gives a tax credit to certain small employers who provide health care coverage to their employees, effective beginning with tax year 2010. The following information relates to the credit as it applies for 2010-2013. A revised version of the credit will be effective beginning in 2014. For a more detailed explanation, please see the "Small Employer Tax Credit under the PPACA" document available on our website.

Small employers with fewer than 25 employees and an average wage of less than \$50,000 are potentially eligible for an employer tax credit.

Your cooperative will not benefit from the tax credit provided under PPACA if it falls under the following categories: (1) an employer that employs 25 or more full-time employees (FTEs); (2) an employer that maintains an average wage (excluding owner income) of more than \$50,000; (3) an employer that does not contribute a minimum of 50 percent toward the total premiums; or (4) an employer that is a "for profit company" that does not have taxable

income.

Small employers providing health care coverage to their employees and meeting certain requirements generally are eligible for a tax credit for health insurance premiums they pay for certain employees. To be a qualified employer, your co-op must have fewer than 25 FTEs for the tax year, the average annual wages of its employees for the year must be less than \$50,000 per FTE, and your co-op must pay the premiums under a "qualifying arrangement."

**For questions or more information please contact Jim Rabbitt in Madison at (608) 258-4402, or Char Vrieze in Saint Paul at (651) 209-8895.**



**Bill Oemichen, Cooperative Network President & CEO, and other members of the Consumer Operated and Oriented Plan (COOP) advisory board to the U.S. Department of Health and Human Services, discuss grant and loan standards for the creation of new non-profit health insurers and cooperatives.**

## Cooperative Network Focus On...

Prepared and distributed to provide issue-specific information on matters pertaining to Wisconsin's and Minnesota's member-owned cooperatives.

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