

# Cooperative Network Mutual Interests

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## Co-op health care considered on a federal level

Cooperative Network has long advocated that the cooperative business model can be used successfully in any type of business. Recently people have turned to cooperatives to help solve the problem of inadequate health insurance for small employers. Cooperative Network led the way for the formation of Farmers' Health Cooperative of Wisconsin (FHCW), which is providing health insurance to its 2,600 farmer-members, many of whom had no previous health insurance.

"The cooperative model has been used many times to solve agriculture's problems," said FHCW Board Chairman Jeff Bennesch. "So it was natural for agricultural producers to turn to the cooperative model to solve the problem of inadequate health insurance."

Since the successful launch of FHCW in April of 2007, Cooperative Network has assisted in the formation of 10 health insurance cooperatives. These cooperatives serve all areas of Wisconsin and membership ranges from small employers to school districts to physicians.

The health care debate going on in Washington, D.C., is sharply divided between those who want a government competitor to private insurance and those who don't want a government plan. Recently Congress has taken a look at the co-op concept as compromise between these two groups. Senator Kent Conrad (D-ND) has suggested creating private, consumer-owned, non-profit cooperatives that would provide affordable health care to families, individuals and small businesses.

"It is clear that health care cooperatives are one possible option for opening the door to broad bipartisan support for reforming health care in America," said Conrad. Cooperative Network will make sure that any government proposal for a health care cooperative is cooperatively owned and governed by its member-owners and adheres to the seven cooperative principles.

This spring, Cooperative Network CEO Bill Oemichen testified before

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Cooperative Network CEO Bill Oemichen testified this past spring before the House Subcommittee on Health, Employment, Labor, and Pensions. He spoke on behalf of the Alliance for Employee Benefit Cooperatives in support of federal reforms that would allow small employers, their employees, and their families to gain greater access to affordable, quality health insurance coverage through the formation of cooperatives. (See story above.)

## Cooperative Network works to protect mutual insurance

Cooperative Network worked on an issue in the state budget that would have had a negative effect on the mutual insurance industry in Wisconsin. Contributory negligence, also known as joint and several liability, could have changed the criteria for which insurance claims are paid out. The provision, which originated in Governor Jim Doyle's budget, reduced the threshold at which a party to a personal injury case could be found liable for as much as 100 percent of damages. In current law, the threshold is 51 percent. The governor's budget would have changed that threshold to 1 percent.

Cooperative Network and others urged the Legislature to remove this provision from the budget. In a memo to legislators, Cooperative Network and other groups stated that this provision creates legal traps never before seen in Wisconsin and goes far beyond reverting to Wisconsin law prior to the 1995 reforms. Cooperative Network was concerned that Wisconsin businesses and citizens would be litigation targets in ways not seen in any other state.

Under this provision, those being sued could have seen debilitating legal judgments and related costs. Others could have experienced higher insurance rates, more limited coverage, or both. Anyone financially responsible enough to have had savings; equity in homes, farms, or businesses; insurance; or other financial assets could have been "deep pocket" targets.

The Democratic State Assembly members voted as a caucus to delete the provisions from the budget bill. Senate Democrats also agreed to remove joint and several liability. The conference committee agreed and the provision was left out of the budget that was signed by the governor on June 27.

## **Stronger Together**

### **Cooperative Network's Annual Meeting**

November 16-18, 2009

Sheraton Bloomington Hotel, Bloomington, Minn.

(952) 835-7800

Room reservations: <http://www.starwoodmeeting.com/Book/COOP09>

## **Tax help being introduced for town mutuals**

Rep. Paul Ryan (R-WI) and Rep. Earl Pomeroy (D-ND) have introduced legislation (HR 3301) which amends the Internal Revenue Code of 1986 to increase the alternative tax liability limitation for small property and casualty insurance companies.

The bill has been referred to the House Committee on Ways and Means, of which Rep. Ryan is a member. It would amend Section 831 (b) of the Internal Revenue Service (IRS) code. According to the IRS, Section 831(b) currently provides an alternative tax to the tax imposed by section 831(a) for certain insurance companies. The alternative tax for these companies is a tax computed for each year by multiplying the "taxable in-

vestment income."

The limitation for the alternative tax under the IRS code is \$1.2 million, which was set in 1986. The bill will increase the limitation for the alternative tax to \$2.025 million. Rep. Ryan is also proposing to adjust the limitation for inflation in the future.

"These changes to the IRS code will allow town mutual insurance companies to continue to keep premiums low and serve areas where affordable insurance might otherwise not be available," said Cooperative Network President and CEO Bill Oemichen.

Cooperative Network has contacted Rep. Ryan to register its support for HR 3301.

## **Consumer Financial Protection Agency questioned**

In light of the recent chaos in financial markets, federal legislators and regulators are questioning the structure and protections of our financial regulatory system. On June 30, the United States Treasury Department released legislative text to establish a Consumer Financial Protection Agency (CFPA).

"Cooperative Network supports strong protections for consumers and their investments but we are concerned that the CFPA could place more regulations on our mutual insurance companies in areas that are already being regulated by Wisconsin's Office of Commissioner of Insurance," said Bill Oemichen,

president and CEO of Cooperative Network. "We oppose the creation of a dual regulatory system for mutual insurance companies."

One proposal pending before Congress is HR 3126, introduced by Rep. Barney Frank (D-MA), which would establish the CFPA. HR 3126 has been referred to two committees: the House Financial Services Committee, which is chaired by Frank and includes Rep. Gwen Moore (D-WI) in its membership, and the House Committee on Energy and Commerce which is chaired by Rep. Henry Waxman (D-CA) and includes Rep. Tammy Baldwin (D-WI) as a member.

Cooperative Network explained in a letter to Representatives Moore and Baldwin and Senator Herb Kohl (D-WI) that having the CFPA become an insurance regulator makes little sense when the state insurance regulatory system demonstrated that it protected consumers during the current financial crisis. Oemichen said the best consumer protections are provided by local authorities who understand the unique circumstances of their citizens and their local industry.

## **Co-op health care**

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the Health, Employment, Labor, and Pensions Subcommittee of the United States House of Representatives' Committee on Education and Labor. Oemichen testified on behalf of the Alliance for Employee Benefit Cooperatives in support of federal reforms that would allow small employers, their employees, and their families to gain greater access to affordable, quality health insurance coverage through the formation of cooperatives.

Oemichen told committee members "a critical piece of the health care puzzle is the need to expand coverage among small businesses and their employees. Generally speaking, small businesses lack economies of both scale and expertise vis-à-vis larger employers in providing health, retirement, and other employee benefits to their workers. To expand health care coverage among these small businesses, some means of providing for organized and representative aggregation is essential." Oemichen went on to explain Cooperative Network's success with the FHCW.

"Our cooperative model is currently providing health insurance coverage to farmers and agribusinesses by contracting with Aetna to begin providing coverage in April of 2007. The cooperative has successfully used the power of group purchasing to negotiate low renewal rate increases of less than 10 percent each year, provide first dollar coverage of preventive care up to the first \$500, and ensure that farm-related accidents are covered by health insurance. This latter benefit was typically excluded from farm health insurance plans, and placed the farmer's livelihood at risk. We were able to accomplish all this without denying insurance to any farmer or agribusiness that meets our membership criteria," said Oemichen.

Visit [www.cooperativenetwork.coop](http://www.cooperativenetwork.coop) to view Oemichen's full testimony and to see the latest developments on cooperative health care.

### **Mutual Interests**

Prepared and distributed by Cooperative Network for its member mutual insurance companies.

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