CO-OP Health Plans: Can They Help Fix Rural Health Insurance Markets?

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Outline

• Overview of the CO-OP program
• Background on rural health insurance markets
• Opportunities and challenges of building sustainable rural CO-OP plans
• Balancing CO-OP viability with rural interests
Origins and Goal of the CO-OP Program

• **Goal**: To foster development of qualified, non-profit health insurance plans in the individual and small group markets. Emphasis on integrated care and plan accountability. Goal of at least one CO-OP per state.

• Program ($3.8 billion) provides federal loans to help capitalize: (1) plan start-up costs and (2) insurance solvency requirements.

• Regulations and 1\textsuperscript{st} Request for Applications has been issued.
What is a CO-OP Health Plan?

• Non-profit, member corporation with governance subject to majority vote of members.
• CO-OP offers at least one qualified health plan at the silver and gold level in every Exchange that serves the geographic area in which it is licensed.
• If CO-OP offers plan in small group market outside of Exchange it must offer a Gold or Silver plan in each Small Business Health Option Program (SHOP) that serves the geographic regions in which CO-OP sells.
• 2/3 of contracts written by CO-OP must be CO-OP qualified plans in individual and small group market.
What is a CO-OP Health Plan?

- Loan priority for CO-OPs that offer plans statewide, use integrated care models, and have substantial private support.
- CO-OP profits must be used to lower premiums, improve benefits, or implement programs to improve quality.
- Restrictions on current insurance issuers and governmental entities from offering CO-OP plans.
- CO-OP plans can contract for administrative services.
Rural Health Insurance Markets

• Rural areas at a disadvantage in accessing private insurance:
  ➢ Employer-based insurance less common: preponderance of small firms, self-employed, part-time and seasonal employment.
  ➢ Lower wages and incomes.
  ➢ High concentration in insurance markets in many states.
  ➢ Some evidence that rural employers pay more for the same coverage as urban firms.
How Might CO-OP Plans Help?

- History of local and regional cooperatives in rural areas.
- CO-OP plans might afford rural consumers expanded coverage options, improved affordability, enhanced quality of care and a substantive role in plan governance.
- CO-OP plans might be a vehicle for strengthening local, rural health systems.
The Challenges of Building and Sustaining Rural CO-OPs

• Financial and administrative capacity:
  ➢ Capitalization and solvency requirements
  ➢ Access to insurance expertise
  ➢ Administrative services (e.g. marketing and enrollment, network development/contracting, claims payment)
The Challenges of Building and Sustaining Rural CO-OPs

• Enrollment and financial sustainability
  ➢ Competitive advantages of existing plans
    (e.g. existing provider discounts)

• Governance

• Provider network adequacy
  ➢ Primary care workforce challenges
  ➢ Treatment of safety net providers (e.g. FQHCs) in plans
Trade-offs Between CO-OP Viability and Rural Interests

• Scale and sustainability are likely to require urban-based plans that serve rural populations, potentially diminishing local, rural control.

• Premium affordability may require value-based insurance designs (e.g. tiered provider networks) that could exclude certain rural providers.
Conclusions

• Rural cooperatives and health systems could develop CO-OP plans: FQHC networks, regional health systems serving rural states.

• CO-OP plans will need aggressive pricing and cost management to compete with existing issuers.

• CO-OP plans will need to build high value provider networks.
THANK YOU

Questions?
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