

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

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The policy brief, *CO-OP Health Plans: Can They Help Fix Rural America's Health Insurance Markets*, is available on the SHADAC website at:

<http://www.shadac.org/files/shadac/publications/CO-OPsInRuralMarkets.pdf>

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 1st 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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