



**Wisconsin Department of Agriculture, Trade and Consumer Protection
Agriculture Development and Diversification (ADD) Program
2003 Grant Project Final Report - #18054**

Project Title: “Co-op Care”: The Creation of Wisconsin Health Care Purchasing Cooperatives to Provide Affordable, Quality Health Care in Rural Areas

Amount of Funding Awarded: \$40,000

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Project Overview

Over the past several years, numerous studies have demonstrated that health care is at the top of the list of concerns facing rural families, particularly agricultural producers. Farmers typically have only one option when it comes to health insurance: an individual health plan that is considerably more expensive than the group health plans available to many wage and salary earners. In addition, farming is a relatively dangerous profession and many producers lack workers compensation insurance. This combination makes farmers a “high risk” in the eyes of insurers.

The Wisconsin Federation of Cooperatives (WFC) recognizes that health care for producers is a critical issue that must be addressed to stem the loss of farms in Wisconsin. As a means to this end, WFC undertook the “Co-op Care” project, to allow producers access to a group health insurance option and improve the quality and accessibility of health insurance for rural populations.

Accomplishments

WFC first set out to build the foundation for the project that ultimately became Co-op Care. Much effort went into researching an effective model for creating health care cooperatives – including in depth discussions with Minnesota officials to ultimately improve upon a project successfully underway in that state that allows for the formation of health care purchasing alliances. A health care consultant, a grant writer and a part-time staff person with health care experience were hired by WFC and several discussions with insurers ensued. These first steps were critical in ensuring that providers would become stakeholders in the process and avoid the pitfalls that plagued past health reform ideas.

In August, legislation was introduced to establish Co-op Care as a demonstration project and define the model that would ultimately be used to form the health purchasing cooperatives. Although passage of the legislation was not part of the ADD grant, it is important to note it as an accomplishment because it helped us communicate with state officials, the media and ultimately the public about the goals of the project and establish Co-op Care as an idea that would ultimately lead to a consumer-driven health care product focused on quality and prevention.

After legislation was passed in December of 2003, WFC began working with staff at the Wisconsin Commissioner of Insurance, the state agency responsible for overseeing the five Co-

op Care project regions. Through these discussions, we have successfully identified the areas of the state where we envision the five cooperatives forming, covering nearly every county of Wisconsin. (See enclosed map).

Immediately after passage of the legislation, WFC redoubled its efforts to communicate with potential cooperative members. To date, we have contacted a number of cooperatives interested in Co-op Care on behalf of tens of thousands of cooperative members and an additional 500 individuals who are not affiliated with cooperatives interested in Co-op Care. We hear mainly from these individuals through our “Co-op Care hotline” and the website we have set up to build a mailing list of future interested individuals. We would be remiss if we did not mention our discussions with numerous other trade associations, Chambers of Commerce, advocacy organizations and community coalitions that have expressed an interest and willingness to help with the Co-op Care project.

Perhaps the most important accomplishment we have made since the beginning of this project is the identification of at least four separate health insurers who are genuinely interested in partnering with us to make health care cooperatives a reality. This is a critical step in the process as we are required to contract with insurers for coverage and there is nothing that compels these companies to work with us other than a real interest in improving the health care situation for farm families. Two additional health insurers have expressed interest, but because Act 101 requires us to contract with only one insurer in each area, we have not negotiated further with these companies.

Important Steps

After successfully laying the foundation described above for the Co-op Care project, WFC undertook several significant steps to transform Co-op Care from a concept to reality. First, we surveyed 6000 members of two farm credit cooperatives in Northwest and North Central Wisconsin – cooperatives that coincidentally fit our insurers’ service area in those two regions. Our response has been positive, with nearly 70 percent of respondents indicating that they would be interested in participating in Co-op Care. This “first glance” will also provide us with our first actuarial picture of the population we intend to serve, and actuarial studies are currently underway to give us our first indications of “price” and “risk” in these two areas.

Those surveyed will also become our first members of Co-op Care, and provide a stable population that we will be able to build upon. The two health care cooperatives in these regions were incorporated under Chapter 185 in August. We will now begin the process of educating initial members about cost drivers and the benefits of a health care cooperative, so we can ultimately create a stable, long term “pool” of individuals that is key to stabilizing health rates.

Challenges and Lessons Learned

Starting a cooperative business is not a simple task, particularly in the case of health care cooperatives where special steps, such as actuarial studies, are necessary. Outreach to cooperative members is a critical, but time-consuming process. And, we are understandably limited by the requirements put upon us by our insurance partners, such as participation requirements that will ensure an actuarial sound cooperative. Some areas of the state have unique and difficult insurance situations, such as Milwaukee and La Crosse, and are going to be particularly challenging for us.

Perhaps our greatest ongoing challenge is the establishment of a stop-loss fund to cover health claims between \$30,000 and \$90,000 per year. As discussed in previous progress reports, Co-op Care team members feel the creation of this fund is critical to the start-up of the project. A “stop loss” would place a limit “underwriting” for producer members. Underwriting means a

number of producers would likely be excluded from the cooperative and defeats the purpose of the project.

Unfortunately, a stop-loss cannot be created solely from private premium dollars at the outset as it would prevent many “lower-risk” individuals from joining the project. We have learned that attracting a risk-balanced pool from the outset is vital to our success. We envision premium dollars supplementing the initial stop-loss investment so that the cooperative becomes self-sufficient after the start-up.

WFC had hoped to be able to report by this time that it had secured stop-loss dollars through the federal appropriations process. Although our Wisconsin and Minnesota congressional delegations are extremely supportive of the project, we are facing opposition from out-state members of Congress, who have thus far blocked the funding.

We have long recognized the need to identify private grants sources as a fall-back position and retained a grant writer from June through August to help us with that process. She identified several grants that we will be eligible to apply for over the next year. However, grant-writing is a time-consuming and specialized talent, and we have temporarily lost the services of our grant writer as she is in the process of moving to another state. Another obstacle is that we have found that we do not fit into the “bricks and mortar” requirements of many grants.

Next Steps

Our focus for the next several months will be on the Northwest area of Wisconsin, where Group Health Cooperative is already discussing with us benefit designs for a health cooperative in that area. Obviously, a contract cannot be signed there until we finalize the initial membership of the cooperative and actuarial studies are completed. We envision town-hall style meetings to recruit cooperative members, and initial focus groups to ensure that we are approaching the project from the right direction.

After the Northwest is organized we will repeat the process in North Central Wisconsin, and then Southwest Wisconsin. Of course, we long ago recognized the need to be flexible in our agenda, to respond to unforeseen circumstances and take advantage of opportunities presented. For example, one of the first insurers we reached out to was Touchpoint Health Plan in Northeast Wisconsin – a relatively small, community-owned health plan. Several months into our negotiations, Touchpoint was purchased by United Health Care, one of our nation’s largest insurance companies. Although we would characterize our discussions with Touchpoint as “on hold” for now, we will move forward there as soon as possible.

Results

We have the unique opportunity with Co-op Care to turn the tide on health care costs for farmers. We also recognize the obstacles we need to overcome. We have spent the past year building a strong foundation, learning from past mistakes and formulating a plan to avoid them. As with all cooperative development projects, we understand the need to build slowly so the new health cooperatives don’t collapse under their own weight. We must ensure that the challenges outlined above are addressed appropriately. Most importantly, we realize the critical importance of members being committed to the idea of buying health insurance through a cooperative. Without that commitment and the loyalty that comes with it, the new health care cooperatives will have a difficult time reaching their full potential and buying power.

