HEALTH REFORM IN IOWA 2012 WITH REFERENCE TO

CONSUMER OPERATED AND ORIENTED PLAN (CO-OP) PROGRAM

Testimony before the Health and Human Services Subcommittee, Iowa Legislature

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The last 2 years as a former chairperson of the Iowa Legislative Health Care Coverage Commission, I have testified before this subcommittee regarding the Commission's thoughts on health reform. This year I come to you to discuss health care reform from the national perspective. Although I am more than willing to discuss aspects of health care reform in relationship to Medicaid expansion, insurance reform, medicine's efforts to promote care coordination, and the establishment of Exchanges, I would like to concentrate my prepared remarks regarding my membership on the U.S. Department of Health and Human Services Advisory Board to Consumer Operated and Oriented Plans (CO-OP) program. These health care CO-OPs, which I will describe briefly, I believe offer a middle approach to health care re-design. This vision describes a different approach; it is neither the current free market system, which has left many Iowans in the individual or small business markets without health insurance or with health care choices that are not comprehensive, nor is it a single payer government program where there is no private involvement at all.

Likened to the rural electric cooperatives which provided electrification throughout rural America in the 1930s, this novel approach excited me during my time on the advisory board, and I hope to share some of that excitement today.

I would ask you to look at a Power Point presentation that accompanies these remarks. The Consumer Operated and Oriented Plans were established in Section 1322 of the Accountable Care Act, a program designed to create, by using consumer and provider involvement and engagement, increased competition in the private insurance market. The major concepts include the establishment of a health insurance entity with the emphasis on solvency and that these cooperatives would be nonprofit with profits being used to reduce premiums or increase benefits. Premium holders would elect the board of directors and serve on its grievance committee. There would be government loans to provide startup costs and provide for reserves. These CO-OPs could be either statewide, within a state, or multiple state options. These CO-OPs would be required to have "integrative care."

The origin of this idea came from Senator Kent Conrad of North Dakota who based his vision on the concept of cooperatives found in rural America such as grain co-ops, rural electric co-ops, and credit unions. Real life health cooperatives who testified before our advisory board were Group Health of Seattle and Health Partners of Minneapolis.

The rules process included an Advisory Board for Consumer Operated and Oriented Plan program of which 2 other family physicians and I served among a 15-member board. Recommendations from this Advisory Board then went to the Center for Consumer Information and Insurance Oversight within the Center for Medicare and Medicaid Services at the Department of Health and Human Services. Preliminary regulations were announced, applications were solicited with a deadline 10/17/11.

Initial finance for this attempt to create CO-OPs throughout the 50 states was $6.2 billion and has now been reduced to $3.4 billion. There are 2 sets of monies. The first set of monies is startup loans which will be required to be repaid in 5 years. The second set is reserve loans to provide for the solvency requirement, and they must be repaid in 15 years. CO-OPs cannot use money for marketing. CO-OPs will need to show local financial support. CO-OPs will not pay federal corporate income taxes.

The restrictions found within Section 1322 of the Accountable Care Act included that a CO-OP loan recipient cannot be a current insurance company or cooperative. CO-OPs must show provider support. They must be sold on the Exchange and "substantially all" of the CO-OP's activities must be in the individual and/or small group market, which is either under 50 or under 100 employees per business. The final restriction is that they must meet local state insurance regulations.

I served on the subcommittee regarding integrative care. The definition of integrative care is in part the following: an "Approach to care. . .includes a payment process that incentivizes a system of care coordination to provide safe and clinically based quality health care in the most efficient and evidence-based manner." Examples of integrative care found within our advisory board recommendation and now found within the final regulations include medical homes and accountable care organizations. I can tell you that physicians are excited about the opportunity to work with the CO-OP health plans because they are committed to involving consumers in using the health care system more effectively to improve their health.

Iowa may be an opportune place to establish a CO-OP for several reasons, one of which is because it is the third most concentrated state regarding the individual insurance market, as well as being in the top 10 for most concentrated market for small businesses. One in 4 Iowans belong to a cooperative such as a grain cooperative, rural electric cooperative, food co-op, or a credit union. As a physician, I can say that the current insurance dominance has prevented care coordination efforts in the past. For all these reasons, a cooperative may be opportune for the State of Iowa.

Regarding the future, the grants will be announced sometime this month or next month. CO-OPs will be formed in 2012. CO-OPs will sell policies within and outside of the Exchange in 2013. CO-OP policies will go in effect in 2014. CO-OPs will pay for "integrative care" in 2014. CO-OP premium holders will elect CO-OP board directors in 2014-2015.

In summary, I am honored to have served on this Advisory Board for Consumer Operated and Oriented Plan program found in Section 1322 of the Accountable Care Act. I truly believe this is a market oriented approach to dealing with the health care problems of the nation and possibly the State of Iowa. I look forward to seeing how these CO-OPs unfold over the next couple years. I am very willing to answer any questions you might have.

Thank you.

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Section 1322 : CO-OPs

Consumer Operated and Oriented Plans

The Middle Approach to Health Reform

Major Concepts

- Health insurance entity-solvency
- Non profit: profits used to reduce premiums or increased benefits
- Premium holders elect Board of Directors
- Government loans to provide start-up costs and to provide for reserves.
- State, within State, Multi-State options
- Required to have "integrated care"

Origin

- Senator Kent Conrad of North Dakota
- Based on concept of cooperatives found in rural America-grain, rural electric, credit union
- Real life health cooperatives-GroupHealth of Seattle and Health Partners of Minneapolis

Process

- CO-Op Advisory Board-3 family physicians
- Recommendations from Advisory Board
- Center for Consumer Information and Insurance Oversight, Center for Medicare/Medicaid Services, Department of Health and Human Services
- Preliminary regulations
- Applications: First deadline-October 17, 2011
- Awardees notified in 75 days.

Finances

- Initially-$6.2 billion
- Now-$3.4 billion
- Re-pay start-up loans in 5 years
- Re-pay reserve loan in 15 years
- Cannot use money for marketing
- Need to show local financial support
- Does not pay federal corporate income taxes

Restrictions

- Cannot be a current insurance company or cooperative
- Must show provider support
- Must be sold on the Exchange
- "substantially all" activity must be in either the individual and small group markets(either <50 or <100 employees)
- Must meet local State Insurance regulations

Integrated Care

"approach to care. . .includes a payment process that incentivizes a system of care coordination to provide safe and clinically based quality health care in the most efficient and evidence-based manner"

Integrated Care Examples

- Medical Home
- Accountable Care Organization

Iowa Example

- 3rd Most Concentrated State Market
- Wellmark raised rates for 2012 9.3%
- 1 in 4 Iowans belong to a cooperative
- Dominance prevented care coordination efforts

Future

- Grants announced-February-March, 2012
- CO-OPs formed-2012
- CO-OPs sell policies within and outside of Exchanges-2013
- CO-OPs policies go into effect-2014
- CO-OPs pay for "integrated care"-2014
- CO-OP premium holders elect CO-OP Board of Directors-2014/2015